

Subject : Business studies

Topic : Concept of Money

Class : JSS1B

Week : 2

Learning Objectives :

1. Define Money
2. Explain the Origin of Money
3. List and Explain the Types of Money
4. List the uses of Money

Definition of Money : Money is any object that is legally or generally accepted in the society as a payment for goods, services and repayment of debt. Money for buying things can be in coins or notes.

Origin of Money : Money originated as far back as 100,000 years ago when barter system which is the exchange of goods for things other than money was the way of sustaining life and business.

Those days, man did not have what is called money now. Bartering of goods was done in order to ensure people got their needs. This gradually led, in some parts of the world, to the use of pebbles, shells and cowries which were counted and stored as a value for goods and services.

Types of Money : there are different types of money since the evolutionary history of man.

1. Commodity money
2. Representative money
3. Fiat money
4. Coinage
5. Paper money (bank note)

Commodity money : This type of money is based on the value from the commodity it is made from, like gold, diamond, silver etc. Many items have been used as commodity money such as naturally scarce precious metals. Examples gold, silver and coins.

Representative money : This is money that consists of token coins, paper money or other physical tokens such as certificates that can be reliably exchanged for a fixed quality of a commodity such as gold or silver. The value of representative money is equal to the commodity that backs it.

Fiat money : Fiat is an order given by a person in authority. Fiat money is based on the value that government has given to it by order. Example, the government has declared that the #1,000 (naira) note is a legal tender, making it unlawful not accepting fiat currency as a means of repayment of what you bought or a debt. Paper money is an example of fiat money.

Coinage : This type of money is made using copper, silver and gold. It is more durable and can be used as a store of value.

Paper money (bank note) : In modern times, the need to have a medium that was less of burden to carry around led to the introduction of paper money. It began as a means for merchants to exchange heavy coinage for receipts of deposits in terms of paper money which was lighter.

Functions of Money :

1. It is a medium of exchange : It is what buyers exchange with sellers in order to purchase goods or services. Sometimes anything can function as a means of exchange, but money is the most acceptable and useful.
2. It is a store of value : Money acts as a store of value because it can be reliably saved, stored and retrieved. It can also be exchanged at a later time, when it can serve a more useful purpose.
3. It is a unit of account : The greatest benefit of money is its ability to function as a unit of account. Money is used to represent the real value of goods and services. In Nigeria we have 1 kobo to 1,000 naira.
4. It is a unit of deferred payment : This means that money that is not immediately needed can be loaned to a borrower who is allowed to start making payments at a specified time in future. Money gains interest and is further made available for carrying out projects and providing services that are beneficial to man.

Summary : Money is any object that is generally accepted in the society as a medium for payment of goods and services. It originated from barter system and gradually expanded to gold and silver to paper and coins currently. We have commodity, representative, fiat, coinage and paper (bank notes) money. Money is used for exchange of goods and services, unit of account, store of value and unit of deferred payment.

ASSIGNMENTS

1. Explain briefly Fiat and Coinage money
2. mention 3 functions of money
3. What is credit in business
4. Give 3 reasons why people take credits in business

