

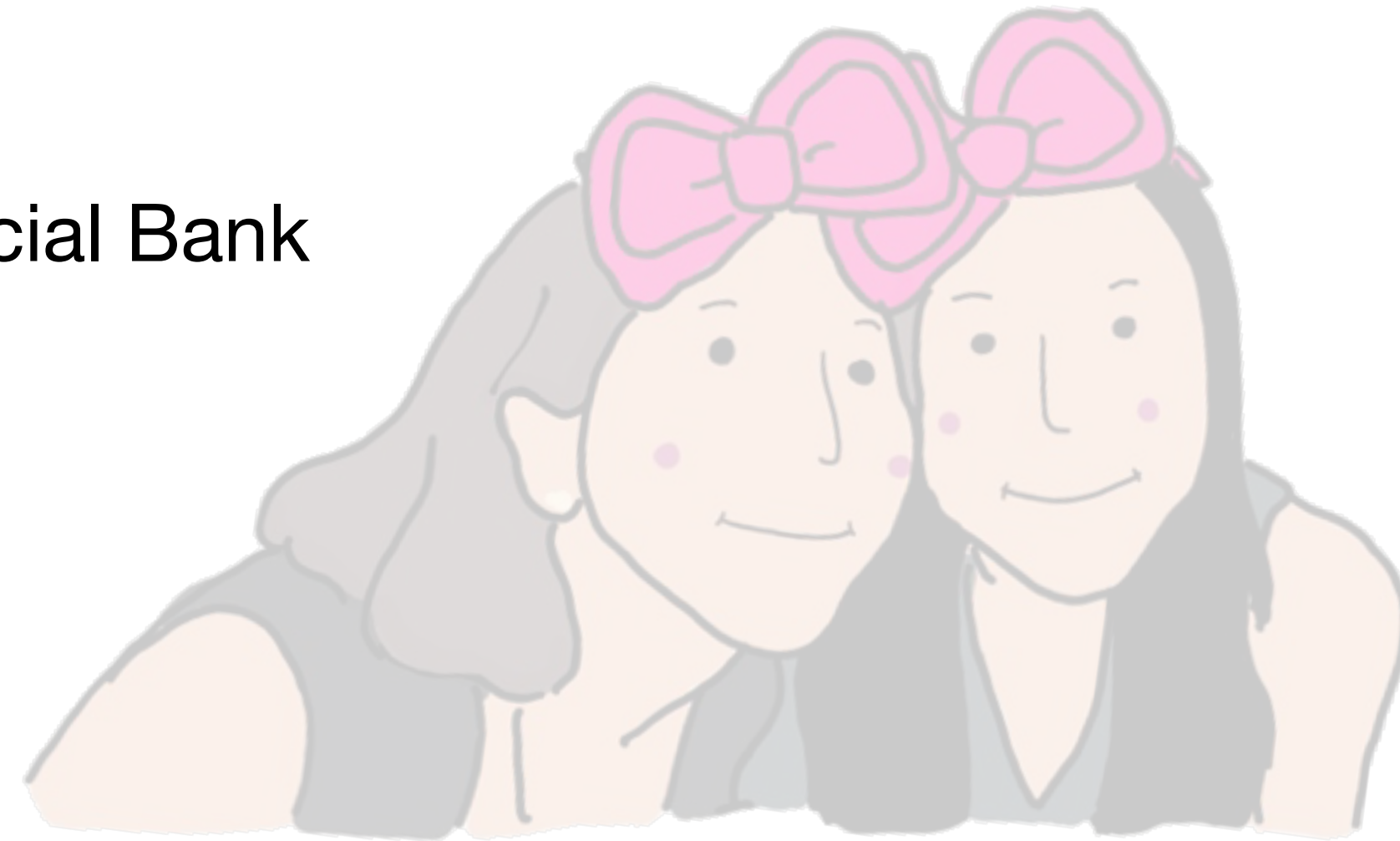


MICROECONOMICS - Money and Banking

By Kru P'Eve and Kru P'Da Knockout.Economics

Overview

1. Money and functions of money
2. Characteristics of money
3. Central bank VS Commercial Bank



1. Money and functions of money

1. Money

: Money is anything which can be made a purchase any goods and services.

4 Functions of money

Functions of money	Definition
1. Medium of exchange	It is generally acceptable to exchange for any goods and services. (Buyers → Money → Sellers)
2. Store of value	Money can be saved for future consumption
3. Unit of account	Money can be used to measure a value on an items.
4. A standard of defer payments	Money allows people to lend and borrow. (Savers → Money → Borrowers)

2. Characteristics of money

1. Acceptability

- Money must be universally acceptable as payments for goods and services.

2. Durability

- Money does not deteriorate when handled often.

3. Portability

- Money must be easily transferred from one person to another.

4. Divisibility

- Money must be easily divided into units of different values.

5. Homogeneous

- Every note and coin should have the same value.

6. Recognisability

- People can easily see that the item is money.

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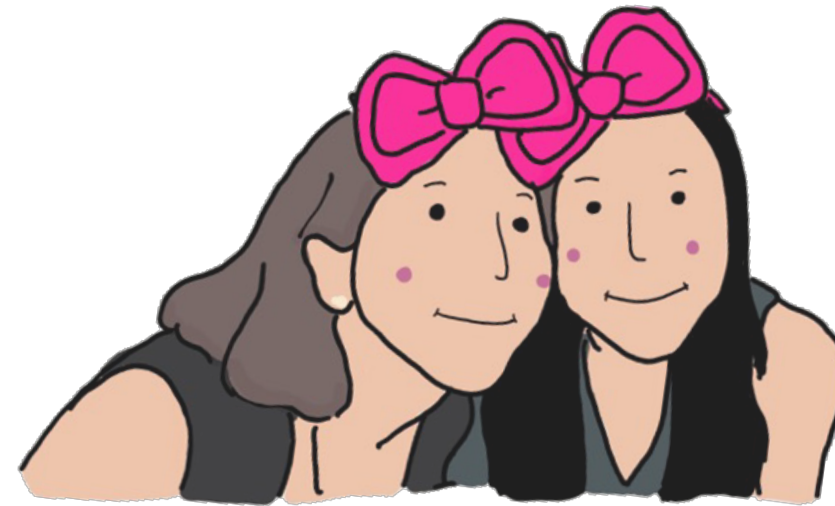
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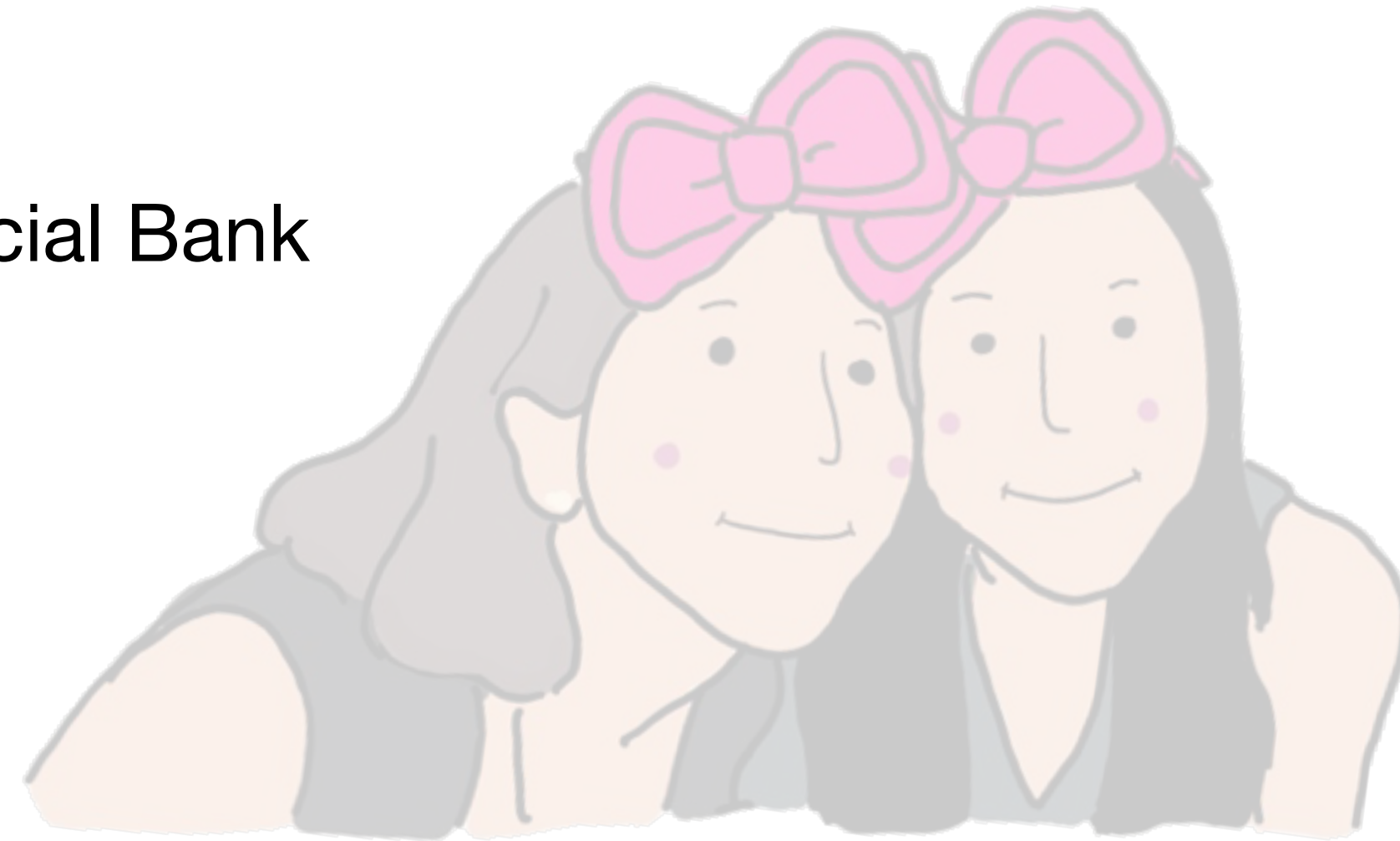


MICROECONOMICS - Money and Banking (Continued)

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1. Money and functions of money
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3. Central bank VS Commercial Bank

Central Bank

(Central banks are owned by governments) Eg. Bank of Thailand

- **Central bank is the government's bank** (Only one in the country).

- Central bank **regulates and supervises banking system.**

- Central bank is responsible for **printing notes and minting of coins.**

- Central bank **represents the government.**

- **Acts as a lender of last resort** : Central bank will lend money to commercial banks when commercial banks are **temporarily short of cash.**

- Central bank **implements monetary policy by changing interest rate, money supply** in order to **control inflation and supporting government's aims.**

Also holds the country's reserves for foreign currency and gold **to influence exchange rate.**

- Central bank manages the national debt.

: Central bank will carry out borrowing on the behalf of the government by issuing government securities eg. Government bond.

3. Central bank VS Commercial Bank

Commercial Banks

(Banks are owned by private sector and aim to make maximise profit)

- Commercial banks act as financial intermediaries.



- Commercial banks provide a range of services to consumers

Eg. Exchange foreign currency

Online banking (Debit / Credit cards)

Insurance

- Commercial banks can also provide advices and help to consumers

Eg. Private banking

Purchases and sales shares

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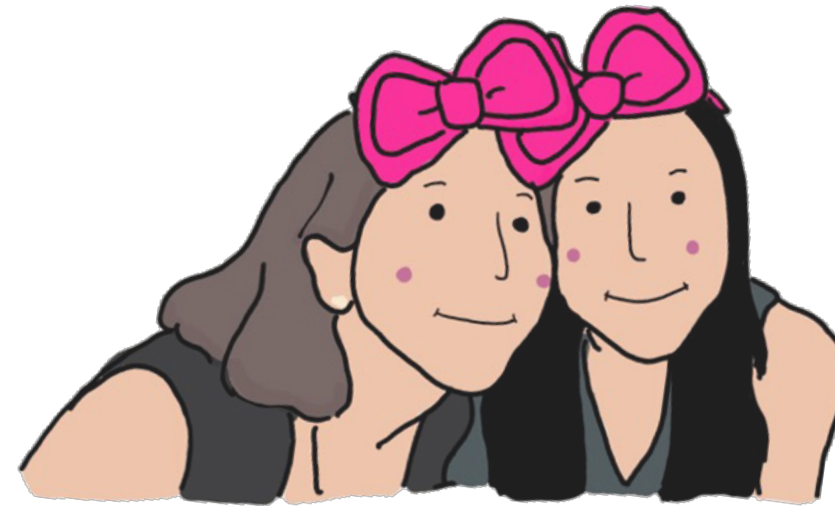
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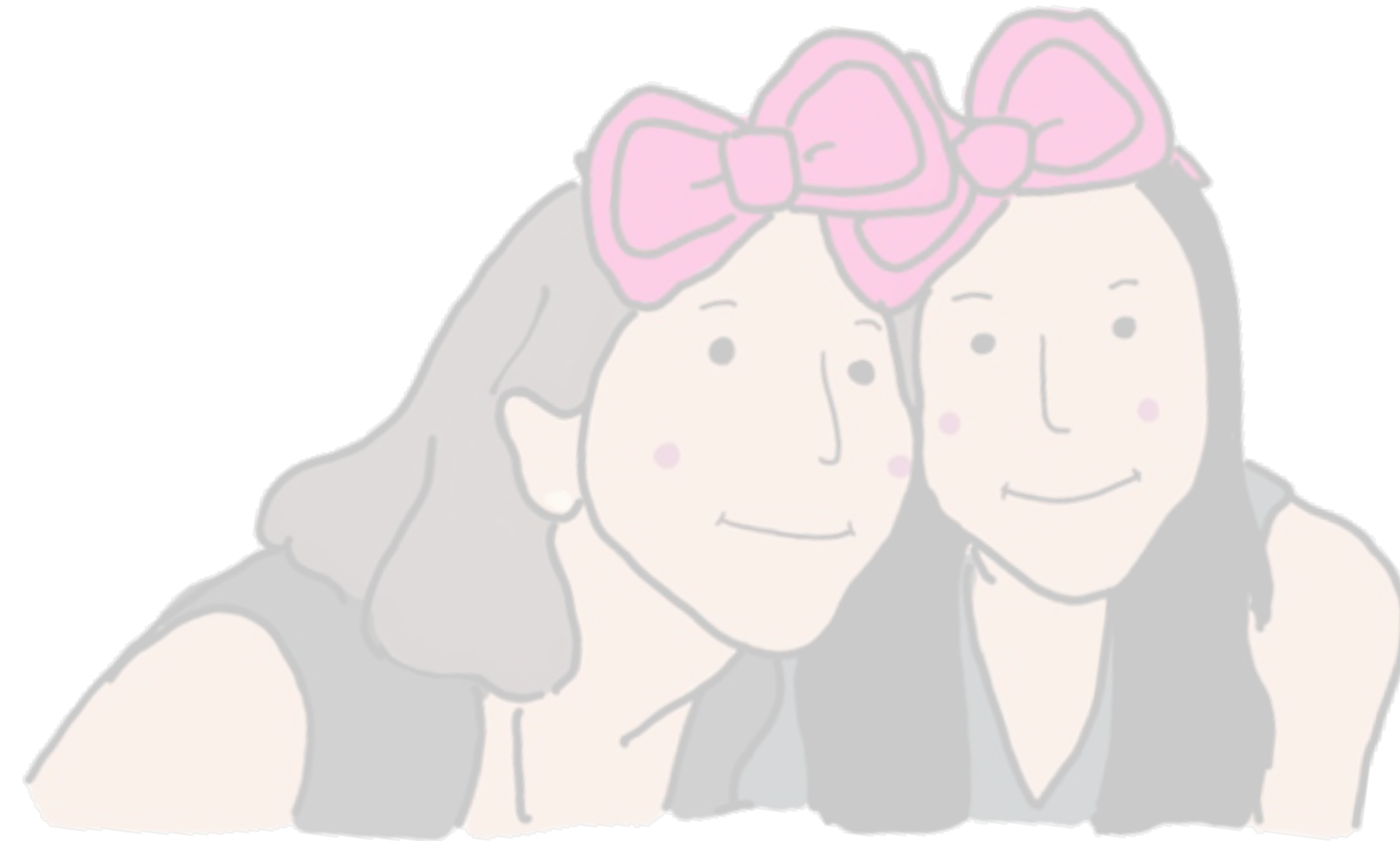
MICROECONOMICS - Exercise - Money and Banking

By Kru P'Eve and Kru P'Da Knockout.Economics

Exercise: MCQ

1. Which one is the function of money ?

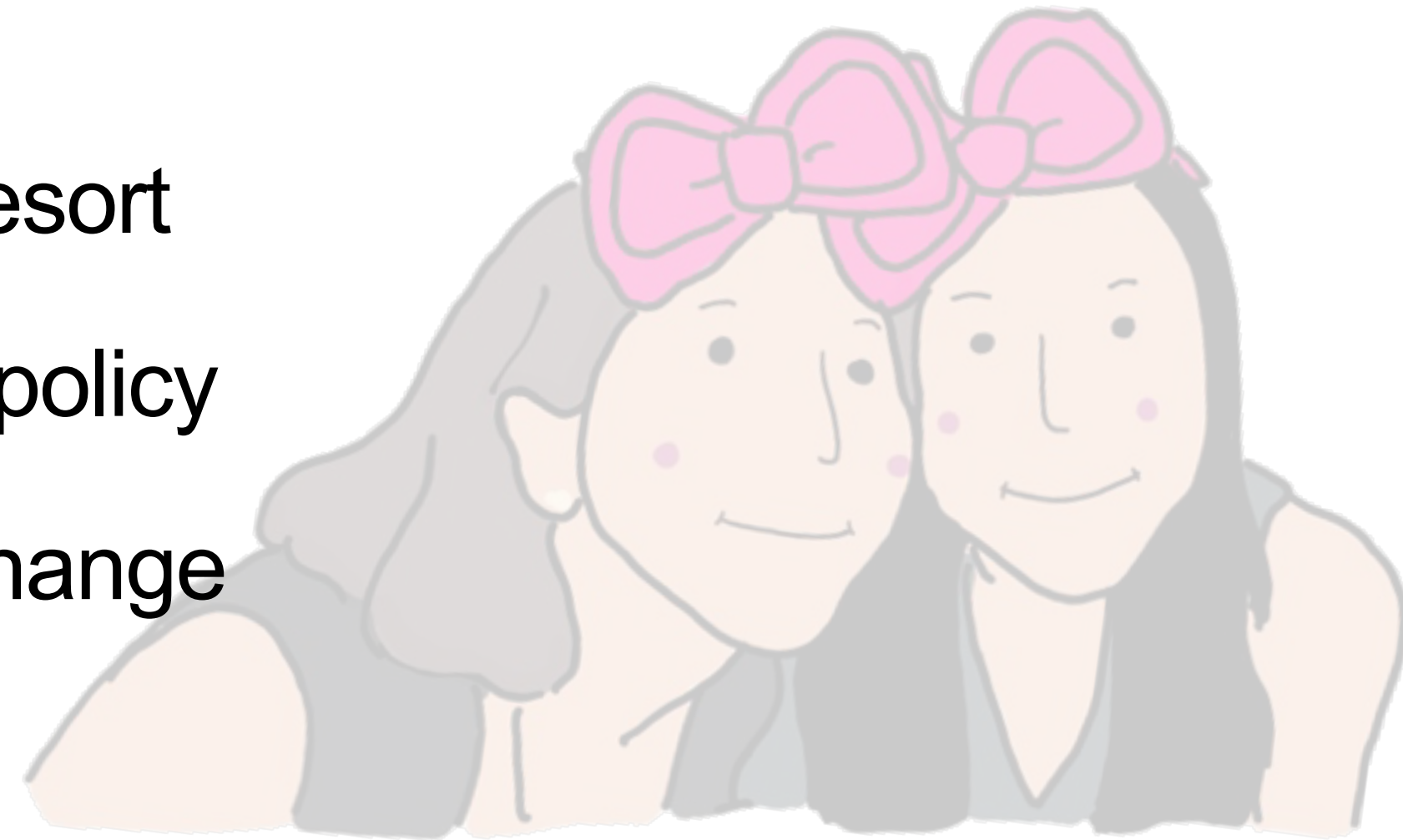
- A. Divisibility
- B. Portability
- C. Durability
- D. Unit of account



Exercise: MCQ

2. Which function do central banks and commercial banks have in common?

- A. Printing notes
- B. Acting as lender of last resort
- C. Implementing Monetary policy
- D. Dealing with foreign exchange

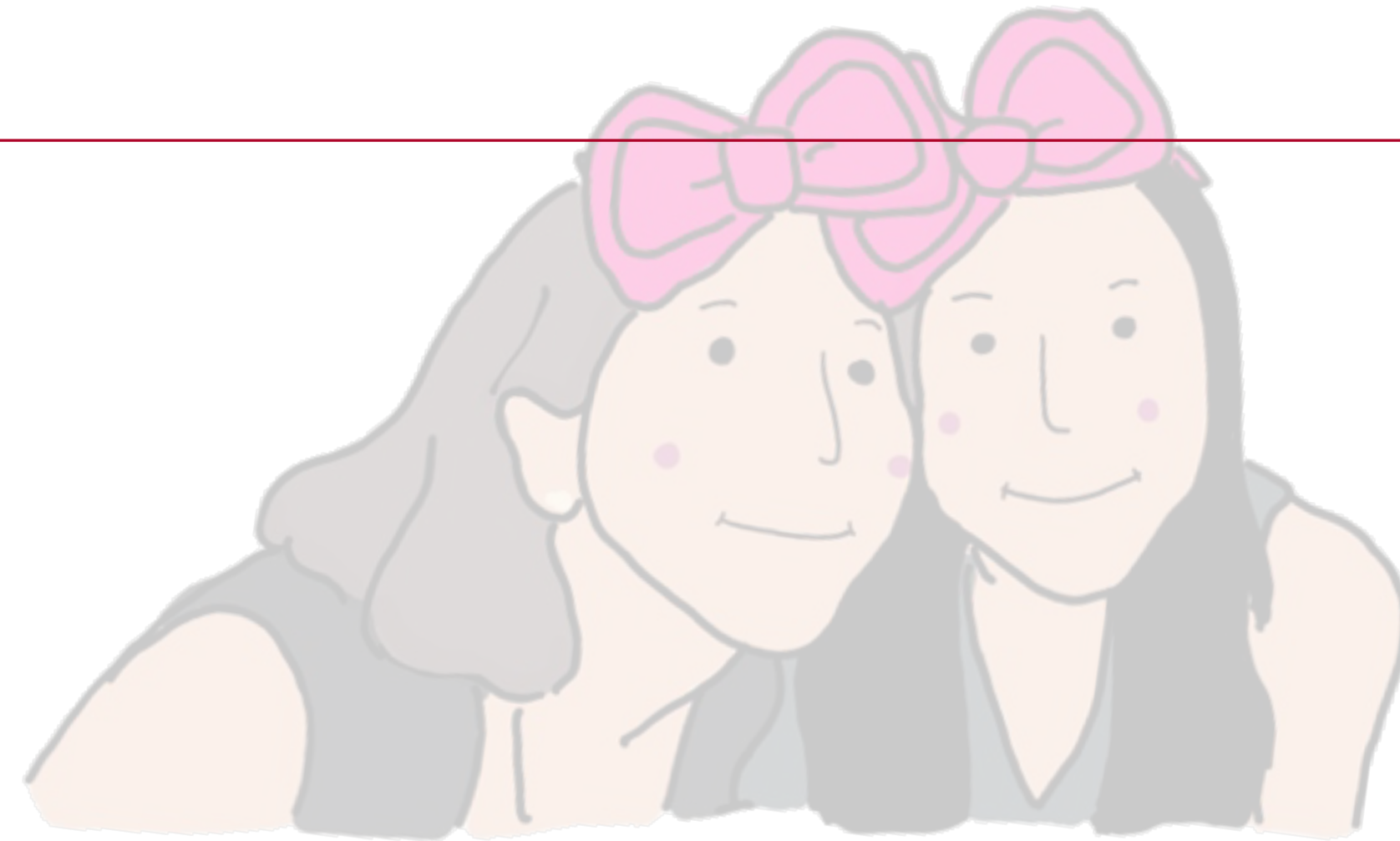


Exercise: Essay

1. Define commercial bank ? [2 marks]

Command Word:

Define: Specify meaning



Exercise: Essay

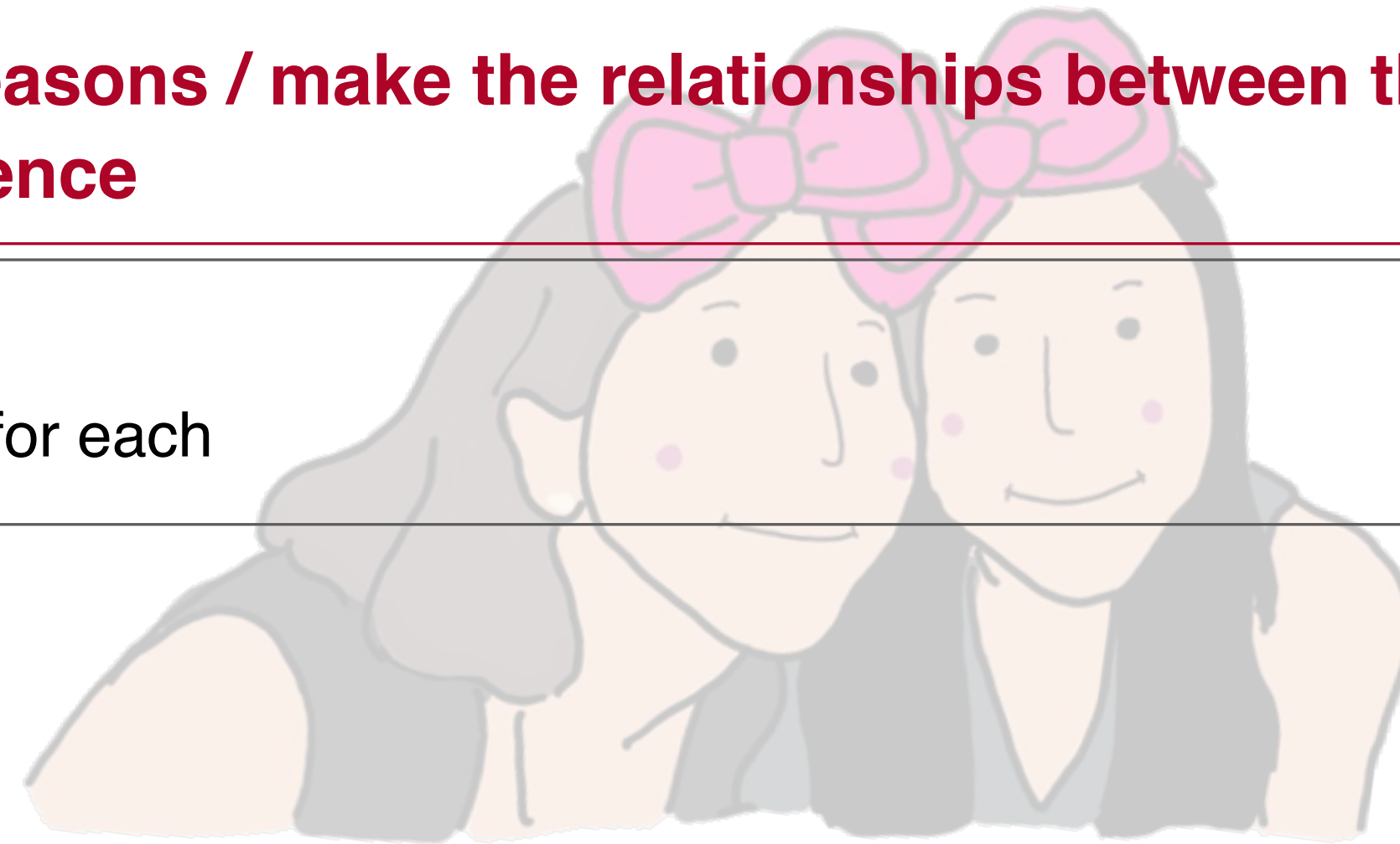
2.Explain three ways in which a central bank differs from a commercial bank [6 marks]

Command Word:

Explain :Set out purposes or reasons / make the relationships between things clear / say why and/or how and support with relevant evidence

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- Issues 3 issues + give comparison for each



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