

# Coursework example

Finance



Finance and Accounting Money is accepted as a medium of exchange in most transactions. Money serves the following three fundamental functions; it is a store of value, medium of exchange and a unit of account.

Q 5

A. Brooke accepting money in exchange for performing her daily tasks at office, money acts as a medium of exchange. Money has universal acceptance as means of payment for services. Money saves the double coincidence of wants scenario that would otherwise have arisen in the case of barter trade (Lloyd, 2006).

B. In case b, Money functions as a unit of account. It provides a standard measure of the relative value of goods and services. Money relieves Tim from extra costs he could incur in the valuation process.

C. In the third instance, money acts as a store of value. Money must hold its value for a given duration of time in order to serve as a universal medium of exchange. A challenge to this functional aspect of money is that it depreciates with inflation. Its ready acceptance nature makes it the best form of value storage.

Q 17

M1 growth rate rose by 17 percent from 2008 to 2009. The Federal Reserve policymakers interpret that with a drastic increase in value the liquid assets. Over a one-year currency, paper money and coins at hand increased inflow. Traveler's checks that were not issued by the banking institutions dominated inflow.

M2 increased by 3 percent from 2008 to 2009, a small rise as compared to a rise in M1. The small rise shows a slight increase in inflow of other assets that are not as liquid as M1 assets. Assets constituted by money deposit accounts

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and market mutual fund shares slightly increased an indication of a shift of preference to the most liquid assets.

#### Works Cited

Thomas, Lloyd. Money, Banking, and Financial Markets. Mason, OH: Southwestern, 2006. Print.