

# [Development of monetary system](https://assignbuster.com/development-of-monetary-system/)

[Economics](https://assignbuster.com/essay-subjects/economics/), [Currency](https://assignbuster.com/essay-subjects/economics/currency/)

Development of Monetary System Money is anything used by society as a medium of exchange, and is widely acceptable for the payment of goods and services without questioning the integrity of the person offering it. Barter system- the first stage of monetary development. Evolution of Money The goldsmiths were instrumental in the evolution of money. Hundreds of years ago, the goldsmiths helped develop the use of money by accepting gold converted into bullions to be converted into coins. Mitting of coins- when gold bullions were converted into coins, coins were considered the first type of modern money. Significance of Money Functions of Money 1. As a medium of exchange 2. As a standard to measure the value of goods and services 3. As a store of value Liquidity- the magnitude of the cost of converting an asset into money is an important concept. Two ways of keeping money for future use: 1. By saving 2. By investment Investment can be made in: 1. Business 2. Corporate or government securities such as stocks and bonds 3. Money market 4. Real state properties 5. Jewelries 3. As a means of deffered payment Attributes of Good Money 1. General Acceptability 2. Stability of Value 3. Portability 4. Cognizability 5. Divisibility 6. Homogeneity 7. Elasticity 8. Durability Kinds of Money 1. Commodity Money 2. Credit Money 3. Fiat Money 4. Legal Tender Money Coinage- It is the process of making uniform coins from metals and stamping them with a specific design as a guaranty of its weight and fineness and the integrity of the country it represents. Coin - is the product of coinage - is defined as mass of metal cast in some convenient shape with a definite weight and fineness, which is guaranteed by the government and certified by the integrity of the design impressed upon its surface. Fineness- is defined as the ratio of pure gold and silver to the total weight of the coin. Mint- is a place or a factory where coins are manufactured or minted. It is usually operated by