

Money – Worksheet 1

1.1 Reading

DEFINITION

Money is any goods that function as a medium of exchange. It is socially and legally accepted in payment for goods and services. In common usage, money refers more specifically to currency.

FUNCTIONS OF MONEY

- **a medium of exchange** which enables people to exchange goods and services for commodities and it serves as a means of transactions
- **a unit of account** which functions as a measure of value that helps to compare the value of various goods and services
- **a store of value** – it is a form of money or financial capital that is saved (stored) for later use

EVOLUTION OF MONEY

- 1 Direct exchange of goods** – people exchanged goods for other goods of equal value
- 2 Commodity money** – especially chosen goods which were accepted by the society as a means of payment and they were given certain value (cattle, shells, salt, tobacco, etc.)
- 3 Precious metals** – gold, silver
- 4 Paper money** – its value was originally based on the amount of gold it contained
- 5 Fiat money** – its value is agreed on by the government regardless of its content of precious metals, banknotes are protected against counterfeiting
- 6 Credit money** – a financial instrument that cannot be used for payment immediately (e. g. bonds, bank account deposits, credits, etc.)

1.2 Vocabulary

- | | |
|--------------------------|----------------------------------|
| 1 medium of exchange | a) odkazovat na |
| 2 currency | b) prostředek transakce |
| 3 payment | c) měřítko hodnoty |
| 4 refer to | d) porovnat hodnotu |
| 5 a means of transaction | e) prostředek směny |
| 6 unit of account | f) drahý kov |
| 7 measure of value | g) měna |
| 8 compare value | h) platba |
| 9 stored for later use | i) obsahovat |
| 10 precious stone | j) chránit před |
| 11 contain | k) uchováno pro pozdější použití |
| 12 protect against | l) účetní jednotka |

- 1 2 3 4 5 6
7 8 9 10 11 12

1.3 Make phrases and translate.

**capital money metal terms value supply rate
account flow exchange**

- 1 medium of
- 2 store of
- 3 financial
- 4 commodity
- 5 precious
- 6 current
- 7 interest
- 8 loan
- 9 money.....
- 10 cash

1.4 Answer the following questions.

- 1 What can be used for payment?
- 2 What is money?
- 3 What do people use money for?
- 4 How do you save your money?
- 5 What are the basic functions of money?
- 6 What can serve as money?
- 7 What goods were used as commodity money?
- 8 What is fiat money?

Money – Worksheet 2

2.1 Reading

MONEY – KEY TERMS

MONEY SUPPLY

It is the amount of money which is available for purchasing goods or services at a certain moment. It helps to indicate inflation or growth. It consists of:

- **Transaction money** – it is used by firms, households and individuals to make payments, it exists in the form of coins, notes, bank money stored in current accounts
- **Near money** – some time is needed before this means of payment can be turned into cash or another type of transaction money because it exists in the form of term deposits, credits, mortgages, bonds, etc.

INTEREST

It is a fee which is paid on borrowed money. Or the percentage of the principal which is paid as fee – the interest, over a certain period of time, is called the interest rate. Also, it can refer to money earned by depositing in long-term or short-term deposit accounts.

EXCHANGE RATE

It specifies the price of currency which is traded on the foreign exchange market. The value of currency changes over the time.

PURCHASING POWER OF CURRENCY

It tells the amount of goods it is possible to buy with one currency unit. It helps to compare the standards of living of two or more countries.

2.2 Match the words to the definitions.

interest transaction fiat money a bank note a deposit a coin counterfeiting

- 1 the act of purchasing or selling something:
- 2 money put to a financial institution in order to gain interest:
- 3 money that is earned by a deposit:
- 4 making copies of money:
- 5 a piece of special paper used for payment:
- 6 currency whose value does not depend on the amount of gold:
- 7 a piece of metal used for payment:

2.3 Translate the sentences.

1 Transakční peníze jsou používány v každodenním životě ve formě bankovek a mincí.

.....

2 Pokud si půjčíme peníze, musíme zaplatit úrok.

.....

3 Měnový kurs ukazuje, za kolik jednotek domácí měny je cizí měna kupována a prodávána.

.....

4 Kupní síla měny ukazuje, jestli je měna silná nebo slabá.

.....

5 Zásoba peněz je aktuální množství peněz, které lze použít pro nákup zboží.

.....

Money – Worksheet 3

3.1 Reading

MONEY – KEY TERMS

MONETARY POLICY

It is the process by which a government, central bank, or monetary authority regulates money supply to achieve specific goals, such as ensuring economic growth in an environment of stable prices, maximum employment, moderate long-term interest rates, etc.

INSTRUMENTS OF MONETARY POLICY

- 1) Tight money – it is used in times of inflation because it reduces the money supply and limits investments.
- 2) Easy money – it is used in times of recession as it activates growth of aggregate demand.
- 3) Interest rates
- 4) Loan terms
- 5) Minimum reserve requirements
- 6) Discount rates
- 7) Open market operations

HOT MONEY

Funds which flow into a country to take advantage of a favourable interest rate and therefore obtain higher returns are called *hot money*. It is speculative financial capital deposited on a short-term basis. It influences the balance of payments and strengthens the exchange rate of a currency.

3.2 Translate. Use the text.

- 1 omezovat investice
- 2 diskontní sazba
- 3 krátkodobý
- 4 usměrňovat
- 5 stabilní ceny
- 6 využít něčeho
- 7 dosáhnout cílů
- 8 monetární politika
- 9 posílit devizový kurs
- 10 plynout do země
- 11 v čase, v období
- 12 zajistit ekon. růst
- 13 úrokové sazby
- 14 získat vyšší výnosy
- 15 ovlivnit platební bilanci

3.3 True or false?

- 1 Activities of the monetary policy help the government to measure the value of currency in a given time.
- 2 Tight money strengthens the growth of investments that is why it is used in times of recession.
- 3 *Hot money* is used to help the country's economy by increasing profits in the state it is invested in.

3.4 Answer the questions.

- 1 What does the money supply consist of?
- 2 What is the amount of money supply important for?
- 3 What is the difference between *transaction money* and *near money*?
- 4 Do you think bank notes and money will still be used in 50 years' time?
- 5 What is the aim of monetary policy?
- 6 What are the instruments of monetary policy?
- 7 What is *hot money*?