

Victoria University of Bangladesh

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BBA

37th

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course code: Eco 219

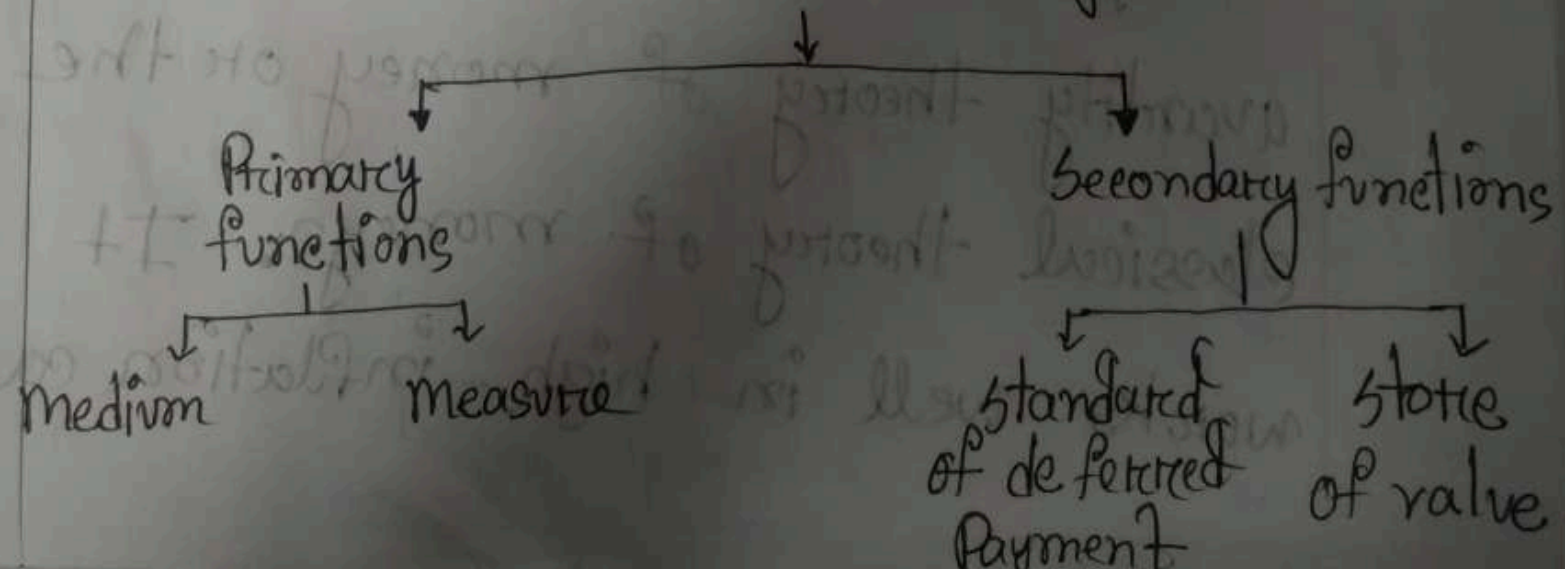
course title: Macro Economics.

Q.110 & Ans:

Money is any good that is widely used and accepted in transactions involving the transfer of goods and services from one person to another.

Functions of Money: Money is often defined in terms of the three functions or services that it provides. Money serves as a medium of exchange, as a store of value, and as a unit of account.

Functions of Money



2 NO a. Ans:

Demand for money explains the desire of people for a definite amount of money. Money is needed to manage transactions and the value of transactions decides the money people want to keep. The larger the quantum of transactions, the bigger is amount of money demanded.

Classical theory: The classical theory of the price level is sometimes called the quantity theory of money or the classical theory of money. It works well in high-inflation countries.

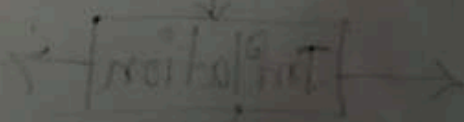
It help us to understand how modern
intertemporal equilibrium theories work

It is incorporated into the neoclassical
synthesis which was used to determine

the economy's long run trend level of
output.

Open and closed economies

isolation



isolation

isolation

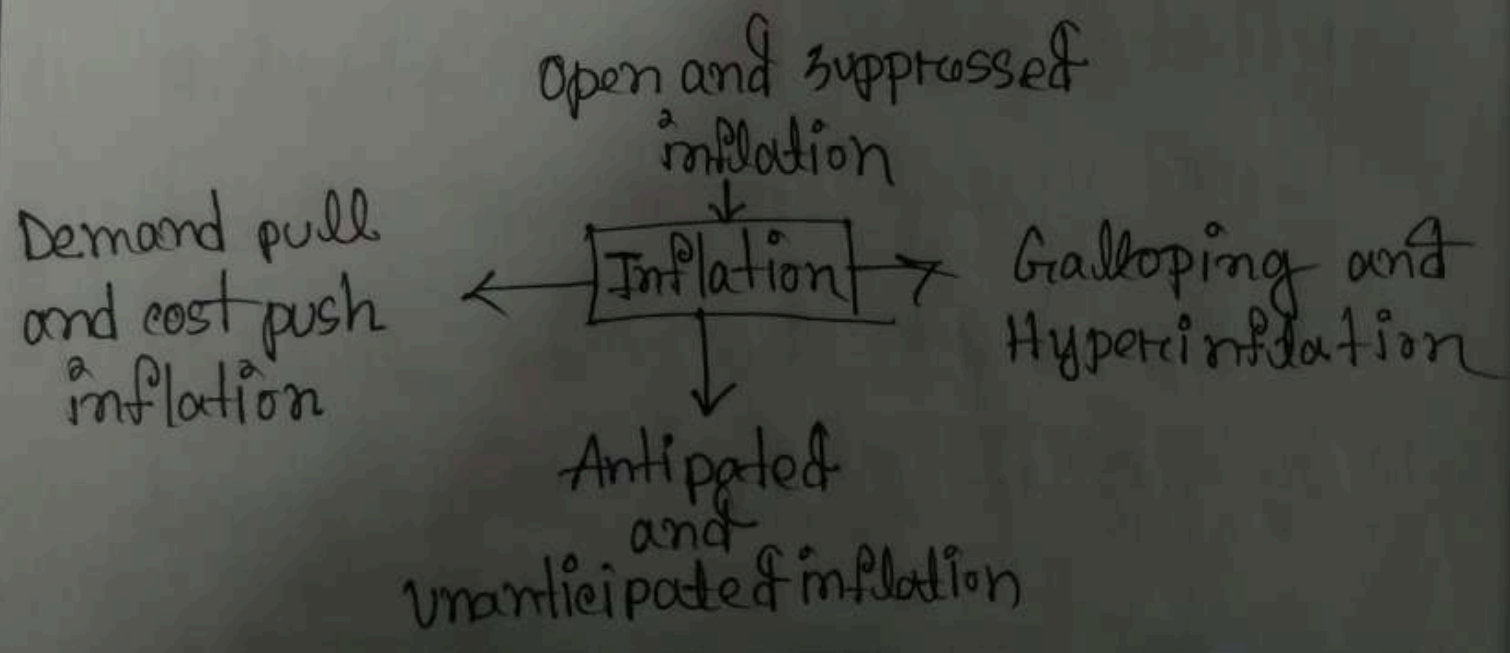
isolation

Q. No. 1. Ans:

Inflation: A rise in prices, which can be translated as the decline of $\text{p}^{\text{u}}\text{s}$ purchasing power over time.

measures of inflation: The two main indicators of inflation in India are the Wholesale Price Index (WPI) and the Consumer Price Index (CPI).

types of inflation:

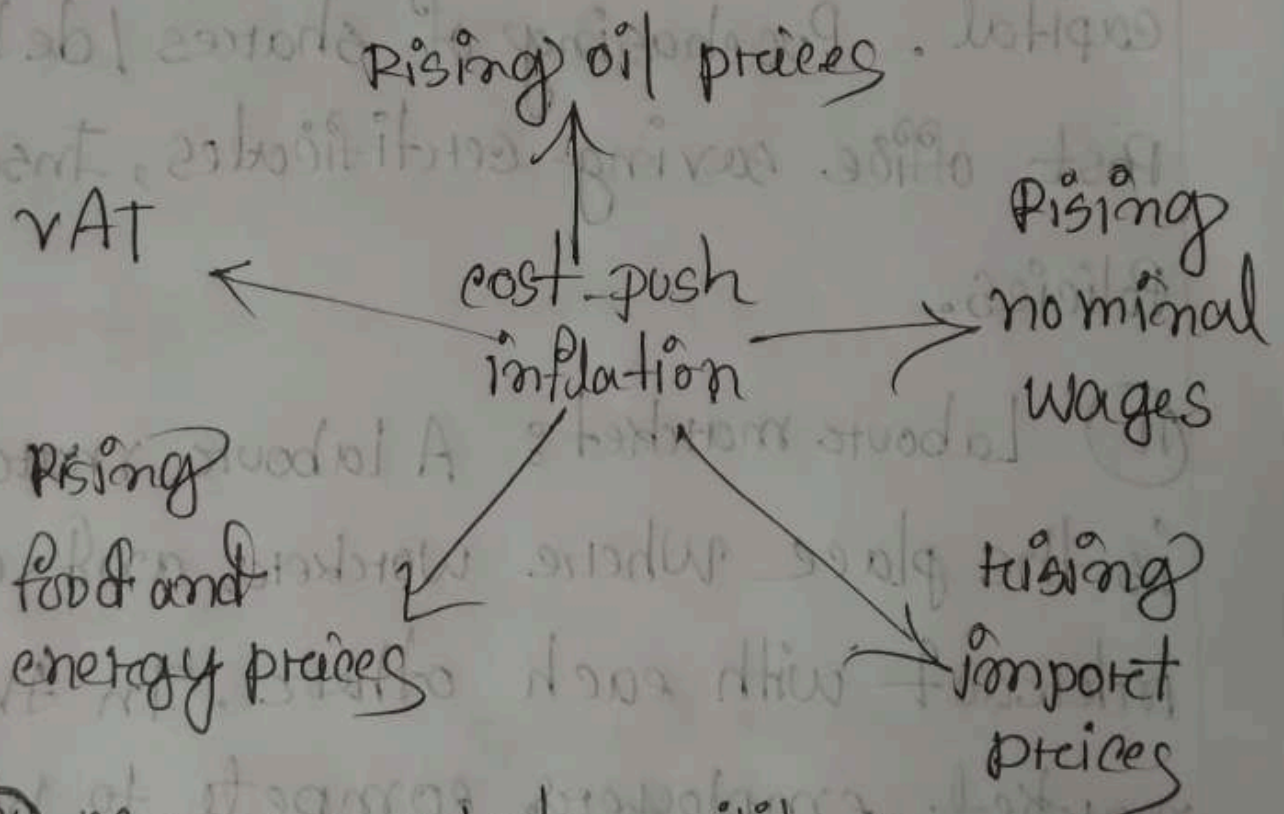


6 NO. Q. Ans:

(1) Financial Investment: commitment of a person's funds to derive future income or appreciation in the value of their capital. Purchasing of shares / debentures, Post office saving certificates, Insurance Policies.

(2) Labour market: A labour market is the place where workers and employers interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best & satisfying job.

(iii) Cost-push inflation: Cost push inflation occurs when firms respond to rising costs by increasing their prices to protect profit margins.



(iv) Money market equilibrium: It occurs at the interest rate at which the quantity of money demanded equals the quantity of money supplied.