

Money matters



This is an Advanced Level worksheet and is suitable for children in higher classes from Class IX to XI.

Activity 1: The role of money in modern society

Money occupies a central position in the society that we live in. It has several uses and in different ways it contributes to our modern financial system. Let us attempt to understand why 'money' is so integral to our society. Listed below are the different uses of money. Think for yourself, your society and your country and write about the relative importance of each in the space given below. You may consult an economics teacher, browse the web or refer an introductory economics textbook.

Medium of exchange

Unit of account

Store of value

Standard of deferred payment

Measure of value

Activity 2: Currency check

The relative importance of different currencies in the global economy depends on the strength of the respective national economies. Like the American Dollar is one of the strongest and most popular currencies in the world. Research as many sources as you can and rank the 5 most important currencies of the world.

Some of the currencies are interchangeable and used by more than one country. For instance, even though the Australian Dollar and the American Dollar are different currencies, they are both called the Dollar.

Similarly, research as many sources and come up with any 5 such currency names that are common to more than one country. *Note: You need to find currencies which are different but are known by the same name as in the example above.*

Name of the currency

Countries which share the same name for their unique currencies

Activity 3: Currency maze



There are nine unique currency names hidden in this maze. Look into this maze and try to find out as many unique currency names as you possibly can. One of the currency names is highlighted here as an example. Identify the countries they belong to and answer the following questions.

L	B	E	C	Y	S	U	A	L	I	S	W
O	C	B	G	O	J	N	P	K	N	K	K
K	N	R	X	A	E	V	C	T	N	F	P
M	V	G	J	D	R	E	D	A	E	J	H
V	Y	Y	I	O	V	F	P	E	S	O	E
U	N	R	E	L	E	M	E	Y	R	E	H
N	Z	M	N	L	B	P	O	U	N	D	M
A	A	I	K	A	U	L	E	A	X	R	A
L	A	S	F	R	A	N	C	N	E	E	E
R	X	S	O	I	O	R	C	P	R	G	E
R	G	E	R	Y	E	N	R	C	M	F	D
C	G	O	N	O	R	I	A	L	Q	S	V

- Which currency names from this maze are common to more than one country?

- Which currency does not belong to a single country but a union of countries?

- Which currency name is most popular in South Asia from this maze? Name the countries in South Asia that uses this currency.

- Which currency from this maze is used by a country in South America?

- Which are the currency names in this maze that are not shared by any other country?

Activity 4: What is my money worth?

Suppose your brother or sister owed you Rs 500. Would you rather have this money repaid to you right away, in one payment, or spread out over five years in four installments? Would it make a difference either way? This is an interesting question and we need some research to come up with an answer.

Once you do some research, you will realize it is better to have all the money at once, since you can earn interest on it if you keep it in a bank. Assuming you earn 20 per cent interest every year, Rs 500 can earn you Rs 100 every year and you can increase your principal amount to Rs 600 instead of Rs 500 at the beginning of the year.

You will also realize it is important to earn compound interest on your investments as it will help your money grow faster than earning simple interest. Research on your own or consult a Math teacher to understand the difference.

Complete the columns below assuming the Interest Rate remains the same.

End of year	Original principal	Interest rate	Interest earned	Final principal
1	Rs 500	20%	Rs 100	Rs 600
2	Rs 600	20%	Rs 120	Rs 720
3				
4				
5				

How many years will it take for you to double your money in the previous computation?

Activity 5: Money savings and inflation

As you found out in the previous activity, it is better to have a greater sum of money available at the beginning than to earn it over a longer period of time. But it is not easy to counter inflation always. To have the same purchasing power of your money in the future, you need to earn interest on your savings by keeping the money in the bank.

The rate of inflation is calculated in per cent. So, if your total savings is Rs 5000. And the rate of inflation is 5 per cent from last year, the effective value of your money has reduced by Rs 250 from last year.

Complete the following list.

Total savings at beginning of the year	Rate of inflation	Effective value of your savings
Rs 1000	20%	
Rs 2500	5%	
Rs 7500	1%	

Activity 6: Banking on the future



Now that you have realized that your money depreciates over time due to inflation, research and find out how you can grow your money over time. There are many ways to grow your money like keeping your money in different kinds of bank accounts and making financial investments like mutual funds and post office deposits.

Find out and write about the different bank accounts and investment options you can have and the benefits and limitations of each.

Type of account or Investment option	Benefits	Limitations
1. Savings account	Can be withdrawn any time	Low interest rates compared to other investments
2.		
3.		
4.		

My personal favorite is

If I have Rs..... I plan to grow it by keeping my money in account, so that it can grow to Rs in years.

Activity 7: Making ends meet

The most important feature of money is that it has competing uses. For example if you receive Rs 500 as a gift, you can either buy 2 Harry Potter movies for Rs 250 each or a Harry Potter book for Rs 500. So it is very important to decide on your priorities. Economists call this opportunity cost, so the opportunity cost of 2 movies for you is one book and for one movie it is two books.

Similarly every household has competing requirements on a fixed budget. Let us assume you are the only working member in your family and you will also have to meet your family's expenses through your income. How will you distribute your earnings and budget under the following heads?

Now research and think of a realistic figure for your total income and place it here.

My household income is Rs

- | | |
|------------------|------------------|
| 1. Food | 5. Housing |
| 2. Entertainment | 6. Clothing |
| 3. Education | 7. Miscellaneous |
| 4. Savings | |

Arrange the above given heads in order of their importance to you and explain how you have arrived at these numbers. Consult as many people as you can, including your parents, your teachers and any other family members you wish.

Construct a pie chart in the vacant space and make relevant sections in the pie chart that denote how you have budgeted the various expenses. If you don't know how to construct a pie chart, you may take the help of a math teacher.

Activity 8: Acting Finance Minister

It is not just individuals or families that have to budget and appropriately allocate money for competing uses and priorities. You will realize that countries and their governments also have to allocate money to many different priorities and are most often faced with several different choices.

Assume you are the finance minister of the country and you have to draft a budget for the government. So now, just as you budgeted for your family when you acted as a working member, you have to budget for your country. How would you go about distributing your limited budget under these competing priorities?

Research different sources and come up with the most likely figure that shall be representative of your government's income.

My country's total income is Rs:

Welfare or Developmental Spending _____

Defense _____

Education _____

Infrastructure _____

Social Security _____

Arts and Culture _____

Administrational Expenses _____

Subsidies _____

Agriculture and Food Sufficiency _____

Health Care and Facilities _____

A priority of your choice _____

Explain the three most important priorities for you as the finance minister and rank them in decreasing order of importance. Explain why they are important to you as the finance minister.

1.

2.

3.

Activity 9: What is my finance quotient?



To track your progress throughout the activities, complete the following and choose the correct options to summarize your learning.

1. The concept of _____ (investment/money) is central to the world economy.
2. Investment for the _____ (future/present) is important to curb against the dangers of _____ (inflation/interest rate)
3. The rate of _____ (interest/depreciation) should be more than the rate of inflation to grow my money.
4. Money always has _____ (identical/competing) uses.
5. In order to meet financial priorities one has to _____ (budget/save) his income accordingly.
6. The most important currency in the World is _____ (dollar/franc)

Activity 10: True or False

1. Financial Planning is a useless exercise. _____
2. We can always grow our money over time irrespective of the inflation levels. _____
3. Budgeting is necessary to meet all financial objectives. _____
4. Earning Simple Interest is more profitable than earning compound interest on my investments. _____
5. Budgeting is only for families as they have limited money but companies and governments do not need to budget their expenses as they have larger sums. _____

Answers

Activity 1

Medium of exchange: When money is used to intermediate the exchange of goods and services, it is performing a function as a medium of exchange. It thereby avoids the inefficiencies of a barter system

Unit of account: A unit of account is a standard numerical unit of measurement of the market value of goods, services, and other transactions. Also known as a "measure" or "standard" of relative worth and deferred payment, a unit of account is a necessary prerequisite for the formulation of commercial agreements that involve debt

Store of value: To act as a store of value, a money must be able to be reliably saved, stored, and retrieved – and be predictably usable as a medium of exchange when it is retrieved. The value of the money must also remain stable over time.

Standard of deferred payment: A "standard of deferred payment" is an accepted way to settle a debt – a unit in which debts are denominated, and the status of money as a legal instrument for settling future payments.

Measure of value: Money, essentially acts as a standard measure and common denomination of trade. It is thus a basis for quoting and bargaining of prices. It has contributed to developing efficient accounting systems.

Activity 2

Five most important currencies in no specific order:
American dollar, British pound, European Euro, Japanese Yen, Swiss Franc

Activity 6

- | | | |
|---------------------------------|---|---|
| 2. Fixed Deposit | Higher interest rate than savings | Penalty charges applicable for premature withdrawal |
| 3. Post Office Deposit: | Higher interest than savings | Have to be booked for 5 years or more |
| 4. Mutual Funds (Equity) | Highest return and can be withdrawn at will | Risky investment and can lose value |

Many other varieties exist like Infrastructure bonds, Equity Linked Savings Scheme, Recurring Deposit and Unit Linked Insurance Plan with relative benefits and limitations.

Activity 9

1) Money 2) future, inflation 3) interest 4) competing 5) budget 6) dollar

Activity 10

1) False 2) False 3) True 4) False 5) False

Similar currencies:

Dollar: Australian, American, Canadian
Rupee: Indian, Pakistani, Sri Lankan
Franc: Swiss, French, Belgian
Peso: Argentine, Chilean, Colombian, Cuban
Pound: British, Syrian, Sudanese, Egyptian, Lebanese

Activity 3

Ans: Dollar, Pound, Rial, Yen, Yuan, Franc, Rupee, Peso, Euro

- Dollar, Pound, Peso, Rupee Franc, Rial
- Euro
- Rupee, Countries: India, Pakistan, Sri Lanka
- Peso
- Yen, Yuan,

Activity 4

1. 500	20%	100	600
2. 600	20%	120	720
3. 720	20%	144	864
4. 864	20%	172.80	1037 approx
5. 1037	20%	207.40	1245 approx

Note: the decimals points are rounded of to the nearest whole number for ease of computation. Since by the end of the 4th year the initial principal of Rs 500 is Rs 1037, it takes around 4 years for the money to double.

Activity 5

Rs 1000	20%	800
Rs 2500	5%	2375
Rs 7500	1%	7425