Money at Work

Read a market story to explain three functions of money.

GE.6.1 "Explain the basic functions of money."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one example of each function of money in the passage, then write 1 beside medium of exchange, 2 beside unit of account, and 3 beside store of value.

A Night at the Market

1. At a neighborhood night market, Maya sells bowls of noodle soup at her family's food stall. Before opening, she needs paper bowls from another vendor. She could offer soup in trade, but that vendor might not want soup. Instead, Maya pays $12 for a pack of bowls, and the vendor accepts the money to buy other things later. Money works as a medium of exchange: people can pay for goods without finding someone who wants exactly what they offer. A card payment also transfers money, although no paper bills change hands. This shared way to pay makes trading simpler.

2. Before the market opens, Maya writes prices on a sign. A bowl of soup costs $8, and a bottle of water costs $2. Because both prices use dollars, customers can tell that soup costs four times as much as water. Maya can also add prices: one soup and one water cost $10. In this role, money is a unit of account, a common measure used to state and compare values. Without a shared unit, comparing a bowl of soup with a handmade candle would require agreeing on a separate trade rate each time. Prices make choices and planning easier.

3. After the market, Maya has $40 left from the money the stall collected. She sets it aside to buy ingredients for the next market. Money acts as a store of value because she can hold it now and spend it later, unlike leftover soup that may spoil. But storing dollars does not guarantee that they will buy the same amount forever. If ingredient prices rise, her $40 will purchase less than it would today. The three functions work together: prices tell Maya what ingredients cost, payment lets her get them, and saving money lets her wait until she needs them.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why can Maya buy bowls with money even if the vendor does not want soup? Name the function of money at work.

2. How do the $8 soup price and $2 water price show money working as a unit of account?

3. Why is keeping the $40 for the next market a better way to store value than keeping leftover soup?

4. Suppose water rises from $2 to $4 a bottle. What limit of money as a store of value does this show? Explain using Maya's $40.

3 YOUR TURN

Your own words

Invent a situation outside the market where someone buys or sells something and plans a later purchase. In 4 to 5 sentences, explain how money serves as a medium of exchange, a unit of account, and a store of value in your situation.

ANSWER KEY

Money at Work

HIGH SCHOOL · GE.6.1

PART 1 · READ AND MARK

Underline one example of each function of money in the passage, then write 1 beside medium of exchange, 2 beside unit of account, and 3 beside store of value. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why can Maya buy bowls with money even if the vendor does not want soup? Name the function of money at work.	**Money is a medium of exchange. The vendor accepts it as payment and can use it to buy other things.**
2	How do the $8 soup price and $2 water price show money working as a unit of account?	**Dollars provide a common measure for comparing prices. A bowl of soup costs four times as much as a bottle of water.**
3	Why is keeping the $40 for the next market a better way to store value than keeping leftover soup?	**Maya can hold the money and spend it later, while leftover soup may spoil.**
4	Suppose water rises from $2 to $4 a bottle. What limit of money as a store of value does this show? Explain using Maya's $40.	**Money may lose purchasing power when prices rise. Maya's $40 could buy 20 bottles at $2 each but only 10 bottles at $4 each.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

At a school play, Lena sells tickets for $6 and programs for $3. Dollars give her a unit of account, so she can see that a ticket costs twice as much as a program. Families pay her in money rather than trading items, so money acts as a medium of exchange. Lena saves $30 from the sales to buy stage paint next month, using money as a store of value.

For the marking job, accept any passage detail that correctly illustrates the numbered function. For Your Turn, accept different settings if the response accurately explains all three functions with a planned later purchase.