


iii) Unit of account.
iv) Standard for deferred payments.
v) Measure of wealth.

(b) Explain how money functions as a medium of exchange. (3 marks)
i) It allows people to buy goods without needing what the seller wants.
ii) It facilitates quick and smooth trade.
iii) It replaces barter and eliminates delays.
iv) It allows one to trade across regions without difficulty.

(c) Describe how the store of value function of money benefits individuals and businesses. (4 marks)
i) People can save money for future use.
ii) Businesses can reinvest profits later.
iii) It enables accumulation of wealth.
iv) It cushions people in times of hardship.
v) It allows for long-term planning like building houses or paying school fees.
vi) It ensures stability in trade when goods are scarce.

Question 5 (10 Marks)

(a) Identify two advantages of using currency over barter trade. (4 marks)
i) Eliminates double coincidence of wants.
ii) Provides a standard measure of value.
iii) Makes trade faster and more efficient.
iv) Allows savings and investments.
v) Easily divisible for small purchases.

(b) Give three situations where barter trade may still be useful in modern society. (3 marks)
i) Rural communities exchanging farm produce.
ii) During scarcity of money in remote areas.
iii) During emergencies when money loses value (inflation).
iv) Among neighbours or relatives exchanging goods.
v) Farmers exchanging seeds for labour.

(c) Explain how reflecting on a role-play helps in understanding economic concepts. (3 marks)
i) It makes learning practical and realistic.
ii) It helps learners compare theory with practice.
iii) It builds confidence in understanding real-life economics.
iv) It helps students remember concepts better.
v) It encourages critical thinking and discussion.



Question 6





©COMPETENCE KENYA