

Money & Banking

Topic :- Classification of
Money

By :- Dr. Pooja Chitania

P.G. Department of
Commerce & Business Management

H.D. Jain College Ara Bhojpur

Bihar :- 802301

Chapter - 3Classification of Money on the basis of Nature

According to classical economist J.M. Keynes Money can be classified into:—

- (i) Actual Money.
- (ii) Money of Account.

(i) Actual Money:— The money which comes in circulation through the medium of exchange is called actual money. The money used for purchasing capacity and also for deferred payment is the actual money itself. For ex:— Rupee, Dollar, Yen etc are actual money of this countries.

Prof. Keynes — has ~~not~~ subdivided the actual money in two categories.

- (a) Commodity money.
- (b) Representative money.

(a) Commodity Money :- Metal money is a type of Commodity Money, as commodity money is made up of Metal. Usually original value of such money is either equal or almost equal to its marked value. when marked value and internal value of commodity money is equal it is called full bodied money.

(b) Representative money :- It is a type of money which prevails in the form of medium of exchange, but it has no internal value of its own. The usage of such money either depends on the metallic fund or on the fait of govt. paper money is one of the example of representative money.

(ii) Money of Account :- Money of Account means in which a country maintains its books of Account. It may be possible that actual money and money of account of a country may be different. For example after world war-I the actual money prevailing in germany was mark but transaction in books

of Account was frank or U.S Dollars.

Prof. Seligman stated above both types of money is actual money or ideal money.

Prof Benham termed them as unit of currency and unit of Accounting.

Classification of money on the basis of legality.

(i) Legal tender money.

(ii) optional money.

ii) Legal tender money :- It is that

kind of money which has been approved by the govt and it is recognized through out the country. No body can deny to accept it as it is legally approved by the govt.

Legal tender money can be categorised further.

a) Limited legal tender money.

b) Unlimited legal tender money.

(a) Limited legal tender money:-

When a certain limit of time span has been determined for the acceptance then it is termed as limited legal tender money:-

(b) Unlimited legal tender money:-

When certain limit is not determined for the usage of the currency is called unlimited legal tender of money.

(71) Optional Money:- It is that type

of money which is commonly accepted by the public on the basis of faith, but no body can be bound to accept it legally. For ex:- cheques, bill of exchange, hundi etc.