

## Specialisation and the role of money and financial markets

### 1. Specialisation

**Specialization:** the process by which individuals, firms, and economies concentrate on producing those goods which they have an advantage over others.

**Division of labour:** where a manufacturing process is split into sequence of individual tasks. A worker carries out one particular task and everyone contributes to the whole production process.

Advantages	Disadvantages
<ol style="list-style-type: none"><li>1. More outputs are created.</li><li>2. Unit costs are lower due to specialisations.</li><li>3. Worker can do the task they are best at.</li><li>4. Better quality of products are produced.</li></ol>	<ol style="list-style-type: none"><li>1. Workers have to depend on each other. Other workers cannot cover up for those specialised staff who are absent.</li><li>2. Workers may feel bored leading to lower productivity and high unit cost.</li><li>3. Workers have limited skills and have</li><li>4. Risk of being unemployed when their skills are no longer wanted.</li></ol>

## 2. The role of money

**Money** : is anything which can be made a purchase.

### Functions of money

1. **Medium of exchange** : it is generally acceptable to exchange for goods and services
2. **Store of Value** : money can be saved for consumption in the future.  
**Limitation** : value of money may fall as inflation rises
3. **Unit of account** : money can be used to place value on an item e. g. price of a pen is 2\$.
4. **A standard of defer payments** : money allows people to borrow and lend.

### **The characteristics of money**

1. Money does not need to have intrinsic value like gold or silver.
2. Acceptability : people accept the item as payment.
3. Durability : it will last some time.
4. Portability : it is easy to carry.
5. Divisibility : it can be divided into units of different values.
6. Homogeneous : every note or coin of the same value should be the same.
7. Recognisability : it can easily see that item as money.

### 3. Financial markets

#### The role of financial markets: Banks

**1. Provide saving service and pay saving interest.**

**2. Make loans for businesses and individual**

↳ Business can get commercial loan to invest in capital (machines)

↳ Individual can get personal loan for consumption.

**3. Make transaction of exchange goods and service.**

↳ Banks help making payment on online transaction

**4. Provide forward markets in commodities and currencies.**

↳ Customers can buy currency in advance at current rate.

**5. Provide market for equity**

↳ Banks help public limited company to raise fund by selling shares in the stock market

↳ Banks help investors or customers to buy and sell shares

