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KWAZULU-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 11

ECONOMICS

COMMON TEST

SEPTEMBER 2022

MARKS: 100

TIME: 1 ½ HOURS

This question paper consists of 10 pages including this page.



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INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:

- SECTION A: COMPULSORY
- SECTION B: Answer any ONE question from this section.
- SECTION C: Answer any ONE of the two questions.

2. Number the answers correctly according to the numbering system used in this question paper.

3. Write the number of each question above each answer.

4. Read the questions carefully and start EACH question on a new page.

5. Leave at least ONE line between subsections of each question.

6. Start each question on a new page.

7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.

9. Use ONLY blue or black ink.

10. Non-programmable pocket calculators may be used.

11. Write legibly and present your work neatly.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 **Various options are provided as possible answers to the following questions. Write down the question number (1.1.1 - 1.1.5) and write only letter (A - D) next to the question number in the ANSWER BOOK.**

1.1.1 The distribution of income and assets among countries of the world is called ...

A. global wealth.
B. national assets.
C. community income.
D. redistribution.

1.1.2 Macroeconomic strategy introduced in 1996 to create more jobs and equal income redistribution is known as ...

A. RDP.
B. GEAR.
C. SETA.
D. NGP.

1.1.3 The policy that levels the playing fields for all workers in the workplace is ...

A. employment equity.
B. B-BBEE.
C. capital formation.
D. labour force.

1.1.4 A company whose shares owned and controlled by another company is called a/an ... company.

A. state owned
B. private
C. international
D. subsidiary

1.1.5 An act of giving too many loans, and increasing the risks of not getting loan repayments is called ...

A. risks.
B. Cash reserves.
C. over-exposure.
D. liquidity.

(5 x 2) (10)

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1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write ONLY the letter (A - G) next to the question number (1.2.1 – 1.2.6) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Per capita income	A. Percentage at which the central bank lends money to other banks.
1.2.2 Capital	B. Training programs that are used to improve personnel skills.
1.2.3 Stock variable	C. Regulation of tax collection to finance state expenditure.
1.2.4 Human Development Index	D. Refers to financial resources and production equipment.
1.2.5 Repo rate	E. Gross national product divided by population.
1.2.6 Fiscal policy	F. The measure of wealth at a particular point in time.
	G. A measure of a country's average achievements in three basic aspects such as health, literacy and living standard.

(6 x 1) (6)

1.3 Give ONE term each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.4) in the ANSWER BOOK. ABBREVIATION AND ACRONYMS MAY NOT BE ACCEPTED.

1.3.1 Financial assistance offered by the government that need not to be repaid.

1.3.2 Citizens between the age of 15 to 64 who are employed or seeking employment.

1.3.3 State funded programme that is invested in infrastructure development, education and skills development.

1.3.4 The minimum amount of deposits that must kept by banks to meet short-term and emergency funding needs.

(4 x 1) (4)

TOTAL SECTION A: [20]

Reserved

SECTION B

Answer any ONE question of the TWO in this section in the ANSWER BOOK.

QUESTION 2 ECONOMIC PURSUITS 30 MINUTES – 40 MARKS

2.1 Answer the following questions.

2.1.1 Mention any TWO measurements of inequalities among countries. (2 x 1) (2)

2.1.2 Why would some people choose to use loan–sharks to borrow money? (2)

2.2 Study the cartoon below and answer the questions that follow.



Source: chinadaily.com.cn

2.2.1 Identify the term that is associated with poor countries from the cartoon. (1)

2.2.2 Mention any one developed country in the world. (1)

2.2.3 Briefly describe the term *economic development*. (2)

2.2.4 Why is it important for countries to implement proper development strategies? (2)

2.2.5 How can labour productivity contribute towards economic growth? (4)

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2.3 Study the following extract and answer the questions that follow.

WHAT'S DRIVING HUNGER IN GAUTENG, SOUTH AFRICA'S ECONOMIC POWER HOUSE?

In Gauteng, about 35% of the population is lacking food insecure. They have (at the very least) skipped a meal because there was insufficient money for food.

Food services as one of the critical needs a person requires for daily survival. In South Africa it's recognised as a fundamental human right *under the country's constitution.*

Approximately 11% (6.5 million) of South Africa's population is *hungry and food insecure*. Conflicts and insecurity, climate change, poverty, and population growth *are primary drivers* of human hunger and food insecurity.

[ewn.co.za]

2.3.1 Identify the basic need that is mentioned in the extract? (1)

2.3.2 What is the percentage of people living in hunger in South Africa? (1)

2.3.3 Briefly describe the term *standard of living*. (2)

2.3.4 Why is economic growth important for the people living in poverty? (2)

2.3.5 Explain how economic growth is related to economic development. (4)

2.4 Discuss *deficiency of infrastructure* and *high levels of unemployment* as characteristics of developing countries. (8)

2.5 How does the National Development Plan (NDP) aims to achieve its objectives? (8)

[40]

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QUESTION 3 ECONOMIC PURSUITS 30 MINUTES – 40 MARKS

3.1 Answer the following questions.

3.1.1 Name any TWO methods to achieve economic growth. (2 x 1) (2)

3.1.2 How can the New Growth Path speed up economic and social development? (2)

3.2 Study the picture below and answer the questions that follow.



SOURCE: ABS Biotrade: Traditional Knowledge and Local Providers

3.2.1 Identify the authority figure that is featured in the above picture. (1)

3.2.2 Mention the state department that support the use of traditional knowledge in the economy. (1)

3.2.3 Briefly describe the term *indigenous knowledge system.* (2)

3.2.4 Explain the economic benefits of promoting traditional systems for the developing rural communities. (2)

3.2.5 Why are indigenous solutions to African problems may often be better solutions? (2 x 2) (4)

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3.3 Study the article below and answer the questions that follow.

South African micro–lender plans to launch digital bank

Staff Writer 28 October 2021

South African micro–lender, Barko, wants to launch a digital banking offering with

Swiss banking software company Temenos.

Temenos announced on Wednesday (27 October) that it will enter the local banking industry through Barko, by integrating its banking platform.

Barko Loans already operates as a micro–finance institution in South Africa, with 188 branches across the country. The group offers small loans and funeral cover, but has now applied for a mutual banking License to operate as a full–service digital bank.

Source: businesstech.co.za/news/banking

3.3.1 Name any service that is offered by Barko Lending. (1)

3.3.2 Which foreign institution is this local business intending to partner with? (1)

3.3.3 Briefly describe the term *micro–finance.* (2)

3.3.4 Explain the main purpose for the existence of *The Development Bank of Southern Africa.* (2)

3.3.5 How do consumers benefit through regulation of micro-lending? (2 x 2) (4)

3.4 Discuss *medium of exchange* and *unit of account* as the functions of money. (8)

3.5 How does *Millennium Development Goals* aims to achieve its goals? (8)

[40]

TOTAL SECTION B: [40]

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SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTUTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order-response • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain. **Additional part:** Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain/ Distinguish/ Interpret/ Briefly debate/ How/ Suggest	Max. 26 Max. 10
Conclusion Any high-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations.	Max. 2
TOTAL	**40**

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QUESTION 4 **ECONOMIC PURSUITS** **40 MARKS – 40 MINUTES**

- Discuss the methods used by the government to redistribute income and wealth. (26)
- Analyse the causes of uneven distribution of income in South Africa. (10)

[40]

QUESTION 5 **ECONOMIC PURSUITS** **40 MARKS – 40 MINUTES**

- Discuss in details the main functions of the South African Reserve Bank. (26)
- How can the Reserve Bank use monetary policy to increase money supply in the country? (10)

[40]



TOTAL MARKS: [100]

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GRADE 11

ECONOMICS
COMMON TEST
MARKING GUIDELINE
SEPTEMBER 2022

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These marking guidelines consists of 13 pages including this page.

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SECTION A

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A. (global wealth.)✓✓

1.1.2 B. (GEAR.)✓✓

1.1.3 A. (employment equity)✓✓

1.1.4 D. (subsidiary company)✓✓

1.1.5 C. (over-exposure.)✓✓ (5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 E. (Gross national product divided by population.)✓

1.2.2 D. (Refers to financial resources and production equipment.)✓

1.2.3 F. (The measure of wealth at a particular point in time.)✓

1.2.4 G. (A summary composite measure of a country's average achievements in three basic aspects such as health, literacy and living standard.)✓

1.2.5 A. {Percentage at which the central bank lends money to other banks.)✓

1.2.6 C. (Regulation of tax collection to finance state expenditure.)✓ (6 x 1) (6)

1.3 GIVE THE TERM

1.3.1 Social grants / Grants / Social subsidies / Subsidies.✓

1.3.2 Labour force.✓

1.3.3 Accelerated and Shared Growth initiative for South Africa.✓

1.3.4 Cash reserves.✓ (4 x 1) (4)

TOTAL SECTION A: [20]

SECTION B

Answer any ONE question of the TWO in this section in the ANSWER BOOK.

QUESTION 2 ECONOMIC PURSUITS 30 MINUTES – 40 MARKS

2.1 **Answer the following questions.**

2.1.1 Mention any TWO measurements of inequalities among countries. (2 x 1) (2)

- Lorenz curve.✓
- Gini coefficient.✓

2.1.2 Why would some people choose to use loan–sharks to borrow money? (2)

People choose to use loan–sharks Because:

- They might not meet the requirements that are needed when acquiring loans from legitimate money lending institutions.✓✓
- It is easy to obtain loans from loan–sharks, without any security needed.✓✓

(Accept any relevant and correct responses)

2.2 Data response.

2.2.1 Identify the term that is associated with poor countries from the cartoon. (1)

Developing countries.✓

2.2.2 Mention any one developed country in the world. (1)

Canada / United States of America / France / Germany / Japan.✓

(Accept any relevant and correct responses)

2.2.3 Briefly describe the term *economic development*. (2)

Economic development is a continuous improvement in the standard of living for the majority of the citizens.✓✓

(Accept any relevant and correct responses)

2.2.4 Why is it necessary for under-developed countries to implement proper development strategies? (2)



Implementation of proper development strategies is necessary because:

- Economic balance is achieved.✓✓
- Ensuring the elimination of global inequalities.✓✓

(Accept any relevant and correct responses)

2.2.5 How can labour productivity contribute towards economic growth? (4)

Labour productivity contribute towards economic growth by:

- Sustaining long–term economic growth through increased worker productivity.✓✓
- Ensuring high productivity that results into lower cost per unit, which means more goods are produced.✓✓
- Increased production will be indicated by the increased real gross domestic product.✓✓

(Accept any relevant and correct responses)

2.3 Data response.

2.3.1 Identify the basic need that is mentioned in the extract? (1)

Food.✓

Food security.✓

2.3.2 What is the percentage of Gauteng's inhabitants that is going hungry? (1)

35%.✓

2.3.3 Briefly describe the term *standard of living*. (2)

Standard of living is the ability of a person to provide for their needs in order to maintain an acceptable existence.✓✓

2.3.4 Why is economic growth important for the people living in poverty? (2)

Economic growth is important for people living in poverty because:

- Employment opportunities are created to curb poverty.✓✓
- It creates possibilities for a society to consume more goods to satisfy basic needs.✓✓

(Accept any relevant and correct responses)

2.3.5 Analyse the objectives of economic development. (4)

- Increasing production and stimulating job creation.✓✓
- Breaking the cycle of poverty.✓✓
- Exploring alternative measures of economic well–being such as leisure time, environmental quality, freedom and social justice.✓✓

(Accept any relevant and correct responses)

2.4 Discuss *low productivity* and *high levels of unemployment* as characteristics of developing countries. (8)

Low productivity

- Developing countries are highly characterised by low levels of labour productivity.✓✓
- The main causes of low productivity are low education standards within the country, a lack of investment in physical capital, an inadequate health care service, etc.✓✓
- Lower levels of productivity results into higher cost of production per unit.✓✓

High levels of unemployment

- Low levels of education and training and entrepreneurial knowledge add to high rate of unemployment.✓✓
- Labour is also underutilised in developing countries as compared to developed countries.✓✓

- There is underemployment in developing countries, where people are working below their actual capacity.✓✓

2.5 How does the National Development Plan (NDP) aims to achieve its objectives? (8)

National Development Plan (NDP) aims to achieve its objectives by:

- Uniting South Africans of all races and classes around a common programme to eliminate poverty and reduce inequalities.✓✓
- Encouraging citizens to be active in their own development, in strengthening democracy and in holding their government accountable.✓✓
- Raising economic growth, promoting exports and making the economy more labour absorbing.✓✓
- Focusing on key capabilities of both people and the country, such as skills, infrastructure, etc: both within the country and with key international partners.✓✓
- Building a capable and developmental state, as well as strong leadership throughout society that works together to solve our problems.✓✓

[40]

QUESTION 3 ECONOMIC PURSUITS 30 MINUTES – 40 MARKS

3.1 **Answer the following questions.**

3.1.1 Name any TWO methods to achieve economic growth. (2 x 1) (2)

- Macro strategies.✓
- Micro strategies.✓

(Accept any relevant and correct responses)

3.1.2 How can the New Growth Path speed up economic and social development? (2)

New Growth Path can speed up economic and social development by:

- Tackling joblessness; poverty and inequalities.✓✓
- Focusing on supporting knowledge and capital–intensive industries such as IT, scientific research and manufacturing.✓✓

3.2 Data response.

3.2.1. Mention the authority figure that is featured in the above picture. (1)

Government.✓

3.2.2. Outline the procedure that is depicted by this picture. (1)

Department of Traditional Affairs.✓

(Accept any relevant and correct responses)

3.2.3. Briefly describe the term *indigenous knowledge*. (2)

- Indigenous knowledge is the traditional, local and technologies that developed over time around specific conditions by communities living in a particular geographic area.✓✓

- Indigenous knowledge is the local knowledge that is generally embedded in the cultural traditions of regional or local communities.✓✓

(Accept any relevant and correct responses)

3.2.4. Explain the economic benefits of promoting traditional systems for the developing rural communities. (2)

- Developing rural communities will get to participate meaningfully in the economy from supplying the mainstream economy with traditional aspects, such as certain plants.✓✓
- They can sustain their livelihood by moving from subsistence agriculture to commercial agriculture.✓✓

(Accept any relevant and correct responses)

3.2.5. Why indigenous solutions to African problems may often be better solutions? (2 x 2) (4)

Because it achieves the following:

- Recognition of, respect for, indigenous people in Africa.✓✓
- Participation of indigenous African people in events held by the United Nations and other international forums.✓✓
- Strengthening leadership and organisational capacity of indigenous civil society in Africa.✓✓

3.3 Data response.

3.3.1 Identify another service that is rendered by Barko Lending beside money lending? (1)

- Funeral cover.✓
- Mutual banking.✓
- Digital banking.✓

3.3.2 Which foreign institution is this local business intending to partner with? (1)

Temenos. ✓

3.3.3 Briefly describe the term *micro–finance.* (2)

Micro–finance is the provision of financial services to low–income clients, including consumers and self–employed, who lack access to banking and related services.✓✓

(Accept any relevant and correct responses)

3.3.4 Explain the main purpose for the existence of *The Development Bank of Southern Africa*. (2)

- This bank provides funding for small and medium–sized companies when they part of the government–approved projects.✓✓
- Build Africa's prosperity through growth and securing innovative solutions that drive socio–economic development in emerging economies in Southern Africa.✓✓

3.3.5 How is the micro–lending industry regulated in South Africa? (2 x 2) (4)

It is regulated by the National Credit Act of 2008 which aims to:

- Provide fair and open credit market.✓✓



- Establish credit policies and legal framework to protect consumers and credit providers.✓✓
- Educate consumers on how to borrow within their means and providing for debt counselling services.✓✓

3.4 Discuss *medium of exchange* and *unit of account* as the functions of money.

(8)

Medium of exchange

- Money is generally accepted and approved by law as medium of exchange and means of payment all over the world.✓✓
- Goods and services are exchanged for money, which makes the exchange much easier.✓✓
- Consumers can buy the things they desire with money and satisfy their needs and wants.✓✓

Unit of account

- A common unit is necessary to set a value or a price on goods and services.✓✓
- Money provides a measure that enables us to put value on goods and services.✓✓
- Businesses can easily cost goods and keep accounting records of all the transactions.✓✓

3.5 How does *Millennium Development Goals* aims to achieve it goals? (8)

It aims to achieve the goals by:

- Wiping out extreme poverty.✓✓
- Ensuring primary education everywhere in the world.✓✓
- Promoting gender equality and women empowerment.
- Improving the provision for maternal health.✓✓
- Developing a global partnership for development.✓✓
- Combating HIV and Aids, malaria and other diseases.✓✓

[40]

TOTAL SECTION B: [40]

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTUTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order-response ● A good starting point would be to define the main concept related to the question topic. ● Do not include any part of the question in your introduction. ● Do not include any part of the introduction in your body. ● Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain. **Additional part:** Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain/ Distinguish/ Interpret/ Briefly debate/ How/ Suggest	Max. 26 Max. 10
Conclusion Any high-order conclusion should include: ● A brief summary of what has been discussed without repeating facts already mentioned. ● Any opinion or value judgment on the facts discussed. ● Additional support information to strengthen the discussion/ analysis. ● A contradictory viewpoint with motivation, if required. ● Recommendations.	Max. 2
TOTAL	**40**

QUESTION 4 ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss the methods used by the government to redistribute income and wealth. (26)**
- **Analyse the causes of uneven distribution of income in South Africa. (10)**

Introduction

Redistribution is a process of re-allocating income; wealth and resources equally amongst the citizens to reduce social and economic inequalities.✓✓ (Max 2)
(Accept any suitable introduction)

BODY (MAIN PART)

1. **Taxation**✓

- The government can begin to ensure redistribution by using taxation.✓✓
- Progressive tax system will be used since it states that the higher-income pay more tax.✓✓
- The revenue collected from taxes is used to assist the poor citizens in the country.✓✓

2. **Social grants (cash benefits)**✓

- Cash grants are paid by the government to receivers without any service being rendered.
- They help the poor face the basic costs of living in the country ✓✓
- The main cash grants in South Africa are Older Persons Grants; Child Support Grants; Disability Grants; etc.✓✓
- South Africa is the biggest welfare state in the world and is spending the largest part of its GDP on social grants and social assistance.✓✓

3. **Payments in kind**✓

- These are essential services that the government ensure they are provided to the needy free of charge.✓✓
- They consist of primary healthcare; basic education; feeding schemes; protection and infrastructure.✓✓
- Although these do not contribute to the accumulation of assets for generating long-term wealth, they satisfy basic needs.✓✓

4. **Education**✓

- Improved education system increases education levels in low-income families in a country.✓✓
- This improves the peoples' prospects in the labour market.✓✓
- Education clearly makes workers more competitive in a tough labour market.✓✓

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- The supply of highly skilled labour needs to increase if unemployment and poverty are to be reduced.✓✓

5. Labour practice✓

- Elimination of the labour inequalities improve the general working conditions for all South Africans.✓✓
- The implementation of a minimum wage and unemployment insurance helps to reduce relative poverty for people who earn very low wages.✓✓
- Strategies for helping the youth to obtain their first job include a wage subsidy, a search subsidy and reduced regulations for first jobs.✓✓

6. Macroeconomic policy✓

- Benefits of strong macroeconomic performance and economic growth is that tax revenue is generated to fund social expenditure.✓✓
- Macroeconomic policies such as GEAR and AsgiSA influence the distribution of income and wealth in various ways.✓✓
- Regional development policies reduce geographical inequalities of income and wealth.✓✓

7. Redistribution methods✓

- South Africa's transformation since 1994 has emphasised strategies for eliminating inequalities and living conditions for all South Africans.✓✓
- Interventions that would ensure a more rapid redistribution of income, wealth and opportunities to the previously disadvantaged.✓✓
- They include: Black Economic Empowerment (BEE); Affirmative action; Land redistribution and Property subsidies.✓✓ (Max 26)

Additional part

Uneven distribution of income exists because:

- A lack of education and training: individuals with advanced qualifications or skills earn higher income than those who are without qualifications.✓✓
- Unequal ownership of resources of wealth, such as property and other assets.✓✓
- Family sizes: some households have more dependants and burden than others.✓✓
- Discrimination: traditionally, gender inequality has favoured men over similarly qualified women.✓✓
- Culture and personal preferences for a certain type of work will affect income.✓✓
- Inherence passed on from one generation to the next ensures that wealth remains in the hands of the few.✓✓

- The social benefit system or the tax system may favour some individuals over others.✓✓
- Unemployment may deprive certain part of the citizens the opportunity of earning income.✓✓ (5 x 2) (Max 10)

(Accept any relevant and correct responses)

Conclusion

Some government policies are geared towards addressing income inequalities, while others address wealth redistribution.✓✓ (Max 2)

(Accept any suitable conclusion)

[40]

QUESTION 5

Discuss in details the main functions of the South African Reserve Bank. (26)

How can the Reserve Bank use monetary policy to increase money supply in the country? (10)

Introduction

South African Reserve Bank is a national institution that issues banknotes and coins and is responsible for controlling and regulating credit as well as monetary policy in a country.✓✓ (Max 2)

(Accept any suitable introduction)

BODY (MAIN PART)

1. **Act as a banker and funding agent to the government**✓
   - The Bank conducts a cheque account for the government and other State Owned Enterprises (SOEs).✓✓
   - Administers the financial accounts for all three levels of the government as well as various parastatals.✓✓

2. **Issues coins and banknotes**✓
   - The South African Reserve Bank has the sole right to produce, issue and destroy banknotes and coins in the country.✓✓
   - S.A Mint & Notes companies are subsidiary companies of the Reserve Bank, they manufacture coins and notes.✓✓

3. **Custodian of gold and foreign reserves**✓
   - The SARB acts as custodian of the country's official gold and other foreign exchange.✓✓
   - It also markets the gold output of the country on international markets, paying the mining houses in a combination of Rands and Dollars.✓✓

4. Sets the monetary and exchange rate policies✓

- SARB is responsible for forming and implementing the monetary policy of the state.✓✓
- The governor of the SARB is assisted by the Monetary Policy Committee (MPC) to decide on any changes to monetary policy.✓✓
- The SARB is responsible for the stability of the exchange rate which is the rate at which one currency is exchanged for another currency.✓✓

5. Controls inflation✓

- The SARB sets a goal for inflation (between 3% and 6%), this is called inflation targeting.✓✓
- When inflation rises the bank increases the repo rate (reducing the demand for credit).✓✓
- When inflation drops it reduces the repo rate (stimulating the demand for credit).✓✓

6. It is a lender in the last resort✓

- Should banks require cash urgently, they can get cash advances from the SARB.✓✓
- This practice adds to stability in the banking sector.✓✓
- Banks then repay the loan plus interest at the repo rate, in the way SARB controls the liquidity it allows on the market.✓✓

7. Controls the banks and the banking system✓

- The SARB keeps strict control of the activities of the banking sector and has a department for banking supervision.✓✓
- The claims between banks are settled on a daily basis by the SARB.✓✓
- Clients from Bank A deposit cheques from Bank B into their accounts and these cheques have to be cleared.✓✓

8. Compiles and publishes macroeconomic data✓

- The SARB publishes statistics about the economy in its Quarterly Bulletin and in several other publications.✓✓
- All parties that are interested benefit from such information.✓✓
- The complete SARB Quarterly Bulletin is available on the internet.✓✓ (Max 26)

ADDITIONAL PART

- Buying of financial securities, to expand the supply of money selling of financial securities, to limit the supply of money.✓✓
- Setting low percentage of cash reserves requirements, high percentage of cash reserves requirements.✓✓

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- Not persuading the application of stricter loan regulations by banks and allow them to loan out money.✓✓

- Instructing the subsidiary companies such as S.A Notes company to manufacture more money to be supplied.✓✓

- Destroying the old coins and notes in circulation that are no longer needed in circulation, to allow the supply of the new one.✓✓

- Applying the free-floating exchange rate so that exports increases and there is more inflow of foreign currency.

(Accept any relevant and correct responses)

(5 x 2) (Max 10)

Conclusion

All the functions of the South African Reserve Bank must be properly executed by everyone responsible, to ensure an efficient and effective banking service in the country.✓✓ (Max 2)

[40]

TOTAL MARKS: [100]

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