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LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

CAPRICORN NORTH DISTRICT

NATIONAL SENIOR CERTIFICATE

GRADE 11

ECONOMICS

CONTROLLED TEST 2

MARKS: 100

This question paper consists of 11 pages

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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY

   SECTION B: Answer ONE of the two questions.

   SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.

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SECTION A (COMPULSORY)

QUESTION 1 20 MARKS – 20 MINUTES

1.1 Various options are provided as possible with answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK, e.g. 1.1.6 D.

1.1.1 The income per every member of the population of a country is known as…

A per capita income.

B national income.

C retained income.

D domestic income.

1.1.2 Standard of living in a country is measured by the …

A GDP per capita.

B Current GDP.

C Real GDP.

D GDP per government.

1.1.3 The National Treasury, Reserve Bank, and Financial Institutions form the country's …system.

A fiscal

B monetary

C production

D infrastructure

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1.1.4 A high standard of living is one of the characteristics of …countries.

A developing

B foreign

C developed

D poorest

1.1.5 An increase in the standard of living of the population is a direct result of economic …

A growth.

B development.

C freedom.

D stability. (5x2)(10)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the correct letter (A–F) next to the question number (1.2.1–1.2.6) in the ANSWER BOOK, e.g 1.2.7 G

COLUMN A	COLUMN B
1.2.1 Moral suasion	A policy aimed at increasing the ownership of agricultural land of black people in the economy
1.1.2 Skills Development Act	B banks lose investors and shareholders
1.2.3 Land Redistribution Programme	C measures the degree of income inequality and wealth distribution between households
1.2.4 Lorenz curve	D the relationship between input and output
1.2.5 Productivity	E are involved in the production or extraction of raw materials
1.2.6Bank rush	F aims to improve the quality of the workforce
	G banks are cautious in lending out money

(6x1) (6)

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1.3 Give ONE term/word for each of the following descriptions. Write only the term/word next to the question numbers (1.3.1–1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will be accepted.

1.3.1 The monetary value of all assets that an individual or organization owns.

1.3.2 Anything that is accepted as a means of payment for goods and services.

1.3.3 An increase in the production capacity of a country over a period.

1.3.4 A statistic used to rank countries in terms of life expectancy, education and standard of living. (4x1) (4)

TOTAL SECTION A:20

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SECTION B

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 2 ECONOMIC DEVELOPMENT & ECONOMIC GROWTH 40-MARKS

30 MINUTES

2.1 Answer the following questions:

2.1.1 Name TWO forms of wealth a person can possess. (2)

2.1.2 How does structural unemployment affect the economy? (2)

2.2 Study the information below and answer questions that follow.

List of countries by Human Development Index

Rank	Country	HDI value
51	Turkey	0853
105	Tunisia	0.746
106	South Africa	0.741
155	Cameroon	0.588
159	Rwanda	0.578

Source: https://en.wikipedia.org

2.2.1 Identify the country with the lowest Human Development Index from the information above. (1)

2.2.1 Name any ONE organization that develops methods of measuring economic development. (1)

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

2.2.4 Explain the objectives of economic development in South Africa. (2)

2.2.5 How can the South African government improve the welfare of its population? (2x2) (4)

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2.3 Study the extract below and answer questions that follow:

South Africa's infrastructure drive gathering pace

Monday, February 17, 2025

President Cyril Ramaphosa has reaffirmed the government's commitment to infrastructure development as a strategic priority to drive economic growth and job creation in South Africa.

In his weekly newsletter to the nation, the President emphasised the importance of large-scale construction projects and consistent infrastructure maintenance to stimulate economic recovery and improve service delivery.

"To achieve the levels of growth our country needs to create enough jobs for its people, we need far more construction and more reliable and consistent infrastructure maintenance.

Source: https://www.sanews.gov.za

2.3.1 Identify ONE aim of infrastructure development in the extract above. (1)

2.3.2 Name the bank that finances infrastructure development in South Africa. (1)

2.3.3 Briefly describe the term *developing countries.* (2)

2.3.4 Explain the basic needs development approach to development. (2)

2.3.5 How does dependence on the primary sector affect economic growth? (2x2) (4)

2.4 Briefly discuss labour and capital as elements of growth-oriented development approach. (8)

2.5 Evaluate the success of South Africa in providing basic services. (8)

[40]

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QUESTION 3 ECONOMIC DEVELOPMENT & ECONOMIC GROWTH 40-MARKS

30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO ways of measuring the standard of living. (2)

3.1.2 How can the South African Reserve Bank use the repo rate reduce the supply of money? (2)

3.2 Study the information and answer questions that follow:

> **National Planning Commission releases ten-year review of the NDP, 8 Sept**
>
> The National Planning Commission (NPC), in its capacity as an independent advisory body and custodian of the National Development Plan (NDP): Vision 2030 has completed a detailed and thorough ten-year review of the progress made since the adoption of the NDP in 2012. The NDP is South Africa's comprehensive developmental vision and the only cross-cutting long-term plan for national development in South Africa. Its strategic goals include the elimination of poverty and the reduction of inequality and unemployment by 2030.
>
> https://www.gov.za/news:05 Sep 2023

3.2.1 Identify the body that acts in an advisory capacity to the National Development Plan from the text. (1)

3.2.2 Name South Africa's strategy designed to guide and coordinate skills development. (1)

3.2.3 Briefly describe the term *economic growth*. (2)

3.2.4 Explain the negative effect the National Development Plan can have on taxpayers. (2)

3.2.5 How will the South African economy benefit from the implementation of the NDP? (2x2) (4)

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3.2 Study the information and answer questions that follow:

INDIGENOUS KNOWLEDGE SYSTEM

Source: [Source: face2faceafrica.com]

3.3.1 Identify the component of the indigenous Knowledge system (IKS) depicted in the picture? (1)

3.3.2 Name the Act that was adopted to promote Indigenous Knowledge Systems in South Africa. (1)

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

3.3.4 Explain the economic component of the IKS. (2)

3.3.5 How can local communities' benefit from indigenous knowledge? are the importance of the indigenous knowledge system? (2 x 2) (4)

3.4 Briefly discuss the characteristics of indigenous knowledge systems. (8)

3.5 Evaluate South Africa's success in stabilizing the value of money. (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. Your answer will be as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to describe the main concept related to the topic of the question. • Do NOT include any part of the question in the introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	**Max. 2**
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Criticallydiscuss/Compare/Distinguish/Differentiate/Explain/Draw a graph and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **Additional part**: Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Interpret/How? /Suggest **A maximum of 2 marks may be allocated for mere listing of facts.**	**Max. 26** **Max. 10**
Conclusion Any higher-order conclusion should include: □ A brief summary of what has been discussed without repeating facts already mentioned □ Any opinion or valued judgement on the facts discussed □ Additional support information to strengthen the discussion/analysis □ A contradictory viewpoint with motivation □ Recommendations	**Max. 2**
TOTAL	

QUESTION 4: ECONOMIC GROWTH 40 MARKS – 40 MINUTES

- Discuss in detail the different methods used to redistribute income and wealth. (26 marks)

- Evaluate the South African government's efforts to redress economic inequality. (10 marks)

[40]

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QUESTION 5: MONEY AND BANKING 40 MARKS – 40 MINUTES

- Discuss in detail the functions of South Africa's Reserve Bank as a Central Bank. (26)
- Examine the central bank monetary policy by focusing on the instruments used by the SARB. (10)

[40]

TOTAL SECTION C:40

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ECONOMICS

MARKING GUIDELINES

MARKS: 100

This marking guidelines consists of 16 pages

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SECTION A (COMPULSORY)

QUESTION 1 **20 - MARKS**

1.1 MULTIPLE CHOICE

1.1.1 A per capita income.✓

1.1.2 A GDP per capita.✓

1.1.3 B monetary✓

1.1.4 C developed✓

1.1.5 A growth. ✓ (5x2)(10)

1.2 MATCHING COLUMNS

1.2.1 G✓ -banks are cautious in lending out money

1.2.2 F✓ -aims to improve the quality of the workforce

1.2.3 A✓ - policy aimed at increasing the ownership of agricultural land of black people in the economy

1.2.4 C✓ - measures the degree of income inequality and wealth distribution between households

1.2.5 D✓ - the relationship between input and output

1.2.6 B✓ - banks lose clients and shareholders.

1.3 GIVE ONE TERM/WORD

. 1.3.1 Wealth✓

1.3.2 Money✓

1.3.3 Economic growth✓

1.3.4 Human development index✓ (4x1)4)

TOTAL SECTION A: 20

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SECTION B

Answer any ONE of the two questions in this section in the ANSWER BOOK.

✓QUESTION 2 ECONOMIC DEVELOPMENT & ECONOMIC GROWTH 40-MARKS

2.1 Answer the following questions:

2.1.1 Name TWO forms of wealth a person can possess. (2)

- Physical wealth✓
- Financial wealth✓

2.1.2 How does structural unemployment affect the economy? (2)

- It to higher rate of unemployment and high costs of reskilling and retraining workers, as well as importing relevant labour services.✓✓

2.2 DATA RESPONSE

2.2.1 Identify the country with the lowest Human Development Index from the information above. (1)

- Rwanda ✓ (with 0.578)

2.2.1 Name any ONE organization that develops methods of measuring economic development. (1)

- United Nations✓
- World Bank✓
- International Monetary Fund✓.

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

- A process of transformation that leads to a country's inhabitants to experience high standard of living, more employment and less poverty.✓✓

2.2.4 Explain the objectives of economic development in South Africa.

- To increase production and stimulate job creation, leading to people enjoying a long and healthy life with lower rates of poverty.✓✓

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2.2.5 How can the South African government improve the welfare of its population? (2x2) (4)

- By ensuring efficiency in providing basic services, creating a stable economy.✓✓
- Improve the health and education system and improve the quality of human resources to improve productivity.✓✓

2.3 DATA RESPONSE

2.3.1 Identify ONE aim of infrastructure development in the extract above. (1)

- Driving economic growth✓
- Create jobs.✓

2.3.2 Name the bank that finances infrastructure development in South Africa. (1)

- Development Bank of South Africa (DBSA)✓

2.3.3 Briefly describe the term *developing countries.* (2)

- Countries with a low standard of living, undeveloped industrial base and a low to moderate human development index compared to economically developed countries.✓✓

2.3.4 Explain the basic needs development approach to development. (2)

- A development approach that seeks to support the poor, reduce mass deprivation and give everyone an opportunity to live a full life.✓✓

2.3.5 How does dependence on the primary sector affect economic growth? (2x2) (4)

- Developing countries import finished goods as they lack modern machinery to process the available resources, leading to outflow of money.✓✓
- This may have adverse balance of payments challenges.✓✓
- Loss of potential revenue as these economies export raw materials and get far less than they pay for imports.✓✓

2.4 Briefly discuss labour and capital as elements of growth-oriented development approach.

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Labour **(8)**

- Countries can improve their labour resources through education and training to increase general skills level.✓✓
- Health care should be improved to ensure that the labour force is healthy and more productive.✓✓
- Population growth should be managed through family planning programmes to ensure that the population is supported by its natural resources and combat poverty.✓✓

Capital

- Capital formation must take place and be allocated effectively to increase economic growth.✓✓
- Saving should be increased and investment by foreigners in all sectors must be encouraged.✓✓
- The government must set up physical infrastructure where private sector cannot.✓✓
- Technological development will increase the country's competitiveness.✓✓

2.5 Evaluate the success of South Africa in providing basic services. **(8)**

Housing✓

- According to Department of Human Settlements (2022), more than 3,4 million (3 431 382) housing units made up of stand-alone houses and units in multiple storey or multi-unit buildings were added between 1994 and 2022. ✓✓
- Provinces and municipalities have also reported the delivery of almost 1.3 million (1 282 123) serviced sites that had been completed. ✓✓
- In addition, the department also granted title deeds to occupants of pre-1994 government rental houses to promote Home Ownership and create assets for citizens.✓✓
- Census 2022 found that 4,1 million households, or 29,9% of all households lived in a Reconstruction and Development Programme (RDP) or government subsidized dwelling.✓✓

Access to water services.✓

- Although approximately 82,7% of households in South Africa used piped water as main source of drinking water, 3,4% of households still relied on water from unsafe sources such as rivers, streams, wells or springs.✓✓

Electricity services✓

- Access to electricity is almost universal and 94,3% of households had access to electricity in 2022. ✓✓

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- It is notable that access does not vary much over space. ✓✓

Sanitation services✓

- The percentage of households that used flush toilets increased from 60,1% in 2011 to 70,8% in 2022, while those that used ventilated pit toilets increased from 8,8% to 9,4%.✓✓
- Despite the large improvements made since 1994, many households still lack access to safe, affordable and reliable sanitation services.✓✓
- Nationally, 12,5% of households used unventilated pit toilets, while 2,1% relied on bucket toilets and 1,6% reported being without any sanitation.✓✓

Solid waste removal services✓

- Nationally, household waste was removed once per week or less regularly for 68,4% of all households, 4,5% of households lacked any kind of refuse facilities, while 22,3% used their own refuse dumps.✓✓

[40]

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QUESTION 3 ECONOMIC DEVELOPMENT & ECONOMIC GROWTH 40-MARKS

30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO ways of measuring the standard of living. (2)

- Gross domestic product per capita.✓
- Gross national income per capita.✓

3.1.2 How can the South African Reserve Bank use the repo rate reduce the supply of money? (2)

- SARB can increase the repo rate, causing commercial banks to raise the prime rate, thereby making borrowing expansive.✓✓

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3.2 DATA RESPONSE

3.2.1 Identify the body that acts in an advisory capacity to the National Development Plan from the text. (1)

- National Planning Commission.✓

3.2.2 Name South Africa's strategy designed to guide and coordinate skills development. (1)

- National Skills Strategy.✓

3.2.3 Briefly describe the term *economic growth*. (2)

- An increase in the productive capacity of an economy over a given period of time. ✓✓

3.2.4 Explain the negative effect the National Development Plan can have on taxpayers. (2)

- For implementation of the NDP the state will increasingly need more revenue – more and higher taxation will be needed, reducing disposable incomes of taxpayers.✓✓
- Higher levels of fraud and corruption affecting services delivery to the poor ✓✓
- (Accept any other correct relevant response)

3.2.5 How will the South African economy benefit from the implementation of the NDP? (2x2) (4)

The South African economy will benefit through:

- Reduction of youth unemployment and creating broader opportunities that improve the standard of living of the people.✓✓
- Increasing the pace of industrialization and the competitive capacity of the South African economy. ✓✓

(Accept any other correct relevant response)

3.2 DATA RESPONSES

3.3.1 Identify the component of the indigenous Knowledge system (IKS) depicted in the picture? (1)

- Religious/cultural.✓

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3.3.2 Name the Act that was adopted to promote Indigenous Knowledge Systems in South Africa. (1)

- The Indigenous Knowledge System Policy.✓

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

- Knowledge and practices regarded by most of the people in Africa as true expression of themselves, contrary to how the Western world perceive them.✓✓

3.3.4 Explain the economic component of the indigenous knowledge systems. (2)

- The component that consists of agricultural activities such as crop-growing and livestock farming, manufacturing such as ploughs, tools and household utensils as well as services.✓✓

3.3.5 How can local communities' benefit from indigenous knowledge? are the importance of the indigenous knowledge system (2 x 2) (4)

- Indigenous knowledge is key to sustainable social and economic development according to the Development.✓✓
- It can help community members to understand local conditions and provide a productive framework for activities aimed at helping their communities.✓✓
- The knowledge offers problem solving solutions or strategies for local communities, especially the poor.✓✓
- It represents an important contribution to the global development knowledge.✓✓

3.4 Briefly discuss the characteristics of indigenous knowledge systems.(8)

- Indigenous knowledge systems are local and embedded in a certain community or culture.✓✓
- They are based on the experience generated by people living in those communities and are culture specific.✓✓
- The knowledge is tacit, assumed knowledge that is not easily explained and is embedded in community practices, relationships and rituals.
- It is transmitted or passed on orally, through imitation and demonstration.✓✓
- The knowledge is experienced rather than theoretical and includes knowledge gained through life experience and the survival of local communities.✓✓
- It is constantly changing and dynamic, wherein it is produced, reproduced and discovered and sometimes lost.✓✓

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3.5 Evaluate South Africa's success in stabilizing the value of money. (8)

- Setting the inflation target of 3 – 6% was a major initiative by the state that helped SARB to stabilize prices✓✓
- The CPI breached the upper range of the inflation target during 2016 at 6.3%✓✓
- SARB has increased interest rates to bring the inflation rate back into lower ranges, thus stabilizing prices to be between 5.3% in2017 and 4.6% in 2021. ✓✓
- The inflation rate shot up to 6.9 % in 2022, which prompted the SARB to increase the repo rate to bring inflation under control.✓✓
- Since 2022 there have been continuous increases in the repo rate, leading to an inflation rate of 5.9% in 2023.✓✓
- The rate has been contained within the target range at 5.9% in 2023 and continues to be low to date.✓✓
- This indicates the effectiveness of SARB monetary policy in maintaining monetary stability over the years.✓✓

(Accept any other correct relevant answer)

[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. Your answer will be as follows:

QUESTION 4: ECONOMIC GROWTH 40 MARKS

- Discuss in detail the different methods used to redistribute income and wealth. (26 marks)
- Evaluate the South African government's efforts to redress economic inequality. (10 marks)

INTRODUCTION

- Income distribution refers to the way income is divided among the economic participants.✓✓

OR

- Wealth distribution refers to the way the ownership of assets is shared among economic participants. ✓✓ (Max.2)
  (Accept any other correct relevant responses)

BODY: MAIN PART

Progressive personal income tax ✓

- A tax system whereby the lower income group pays less tax than the higher income group ✓✓
- In other words, the higher the income the higher the tax percentage, and the lower the income the lower the tax percentage ✓✓
- This means richer people will have more money taken from their incomes as tax than lower income earners✓✓
- This results in the after-tax income (disposable income) of higher income earners being reduced much more, therefore the gap between the higher and the lower income earners being reduced ✓✓
- The revenue from taxes are often used to benefit the income situations of the poor✓✓

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Social grants (cash benefits) ✓

- Old age pensions, disability grants, child support and unemployment insurance are cash grants✓✓
- They help the recipients to afford some basic goods and services, thus improving their quality of life✓✓

Minimum wages ✓

- Minimum wage is the lowest wage which by law an employer can pay an employee. ✓✓
- The minimum wage policy was introduced in 2019 in South Africa. Minimum wage helps many workers who were paid very low wages to afford an increased quantity of goods and services. ✓✓
- Unskilled workers such as domestic workers and farm workers are among those who benefit from the minimum wage policy.✓✓

Wealth taxes✓

- Wealth tax is levied on an individual's personal assets e.g. shares, properties, etc. ✓✓
- Properties are taxed according to their market value, the higher the value the higher the tax rate. ✓✓
- Transfer duties are paid when properties worth R1,1 million or more are bought✓✓
- Gains/[profits from Securities (Shares) are taxable.✓✓
- Capital gains tax is levied on sale of capital goods (e.g. properties, shares)
- Estate duty is paid on the estates of a deceased person✓✓
- These taxes are used to finance expenditures which improve the lives of people and this benefits the poor more often✓✓

Benefits in kind (natural benefits) ✓

- These include the provision of healthcare, education, school meals, protection, infrastructure etc. ✓✓
- When user fees are charged, low-income earners pay less or nothing✓✓
- Limited quantities of free electricity and water are provided ✓✓

Black Economic Empowerment✓

- BEE is a policy that was created to increase the economic participation by the previously disadvantaged people✓✓
- The policy entails that black people be given preferences in economic activities✓✓
- While the policy promotes black people in general, it empowers black women much more as they were more disadvantaged than everyone economically✓✓

Land restitution and Land Redistribution✓

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- Land restitution is the return of land to those who have lost it due to discriminatory laws in the past✓✓
- Land redistribution focuses on land for residential and production farms for previously disadvantaged groups✓✓
- The money for these programmes is provided in the main budget✓✓
- The main objective is for the recipients to use the land to contribute towards production and employment✓✓

Subsidies on properties✓

- It helps people to acquire ownership of fixed residential properties.✓✓
- E.g. Government's housing subsidy scheme provides funding to all people earning less than R3500 per month✓✓

(Accept any other correct relevant responses) (Max.26)

(Allocate a maximum of 8 marks for mere listing of facts, examples and sub-headings)

ADDITIONAL PART

Evaluate the South African government's efforts to redress economic inequality.

- The South African Constitution, adopted in 1996, enshrines the right to equality and has influenced various legislative measures aimed at promoting social justice and economic equity. ✓✓
- The government has implemented the Employment Equity Act 55 of 1998 to address discrimination in the workplace. ✓✓
- The Act emphasizes affirmative action to address imbalances and inequalities of the past. ✓✓
- The implementation of policies aimed at redressing inequalities, such as the Broad-Based Black Economic Empowerment (B-BBEE) assisted in reducing the income gap, though it only favored few people.✓✓
- The policy was introduced in 2003 and aims to promote economic participation of black South Africans.✓✓
- The Restitution of Land Rights Act 22 of 1994 was introduced to return the land to those who were dispossessed in terms of the land Act of 1913.✓✓
- The South African Social Security Agency has several types of social welfare programs which collectively aim to reduce poverty and improve the living conditions of vulnerable populations.✓✓ (Any 5x2) (10 Max)

(Accept any other correct relevant responses)

(Allocate a maximum of 2 marks for the mere listing of facts)

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CONCLUSION

- South Africa has the largest income and wealth inequality in the world, therefore effective implementation of the policies to reduce inequality is important. ✓✓ (Max.2)

(Accept any other correct higher-order conclusion)

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QUESTION 5: MONEY AND BANKING 40 MARKS

- Discuss in detail the functions of South Africa's Reserve Bank as a Central Bank. (26)

- Examine the central bank monetary policy by focusing on the instruments used by the SARB. (10)

INTRODUCTION

- The South African Reserve Bank is the central bank and monetary authority of a country and serve as the monetary authority. ✓✓

(Accept any other correct relevant introduction.) (Max. 2)

BODY:

MAIN PART

Act as banker to the government✓

- The Reserve Bank is the main banker of the state as it administers the financial accounts of the central government, the provincial government and various parastatals.✓✓
- It renders services to the government which are similar to those rendered by commercial banks to their clients.✓✓
- Government departments deposit their funds with the Reserve Bank.✓✓
- The Reserve Bank also provides loans, foreign exchange and financial advice to the government.✓✓
- Also provides monetary advice to the government. ✓✓

Bank of issue✓

- The SARB has the sole right to produce, issue and destroy banknotes and coins in South Africa. ✓✓
- The South African Mint Company mints South Africa's coins as a subsidiary of the SARB. ✓✓
- The SA Note Company, another subsidiary of the SARB, prints banknotes on behalf of the SARB. ✓✓
- In the issuing of banknotes and coins, the bank is guided by the needs of the economy.✓✓

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Custodian of foreign reserves✓

- The SARB acts a custodian of foreign reserves; it is the custodian of the country's reserves in gold and foreign exchange.✓✓
- The SARB also markets the gold output of the country on international markets, paying the mining houses in combination of rands and dollars.✓✓
- The SARB declares and keeps the minimum cash reserves that all banks are required to hold to stay solvent as a custodian of cash reserves of banks. ✓✓

Act as banker's bank✓

- The SARB acts as a clearing bank by settling inter-bank obligations, the claims are settled daily as it keeps accounts of various banks. ✓✓
- It grants loans to the commercial banks when these banks have a liquidity problem. ✓✓
- SARB supervises and controls the activities of commercial banks and financial institutions. ✓✓
- The SARB issues economic reports by publishing statistics and information in its quarterly bulletin for the benefit of all parties interested in such information.
- It ensures that the banks operate in accordance with the Banks Act.✓✓
- The SARB makes sure that all the banks implement monetary policy controlling credit, the money supply, and the interest rates in the country. ✓✓

(Accept any other correct relevant response.) (Max. 26 marks)

(Allocate a maximum of 8 marks for mere listing of facts, headings and examples.)

ADDITIONAL PART

Examine the central bank monetary policy by focusing on the instruments used by the SARB.

- Increasing interest rates will discourage too much spending and encourage saving and investment. ✓✓
- Moral suasion can be used to warn banks to act in a manner where credit is given responsibly. ✓✓
- The SARB can increase the cash reserve requirement so that banks have less money available for lending. ✓✓
- The SARB can decrease the money supply by selling government securities in the open market. ✓✓

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- Keeping interest rates unchanged may be necessary under rare circumstances when an economy is overheating provided the constant effect will achieve the cooling down of an economy. ✓✓
- Monetary policy's outcomes tend to be futuristic in nature as the impact is often felt much later than the implementation of the decision and therefore central banks might have to use a combination of instruments to achieve cool down an overheating economy much quicker. ✓✓ (Max. 10 marks)

(Accept any other correct relevant response.)

(Allocate a maximum of 2 marks for a mere listing of facts.)

CONCLUSION

- The South African Reserve Bank has an interest in maintaining sustainable economic growth through its monetary policy instruments by monitoring a target range for inflation to stabilize prices.✓✓ (Max. 2)

(Accept any other correct relevant higher-order conclusion.)

[40]

TOTAL SECTION C:40

GRAND TOTAL:100