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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 11

Stanmorephysics.com

ECONOMICS

SEPTEMBER 2026

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MARKS: 100

TIME: 1½ hours

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INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows in the ANSWER BOOK

   SECTION A: COMPULSORY
   SECTION B: Answer any 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 – 15 MINUTES

1.1 Four options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A-D) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK. For example (1.1.6 – C).

1.1.1 A tax system where low-income earners pay a low tax rate, while high-income earners pay a higher tax rate, is known as …

A proportional tax
B regressive tax
C progressive tax
D indirect tax

1.1.2 A statistical tool used to rank countries by level of development is known as a ...

A human development index
B population growth
C human capital
D sustainable development

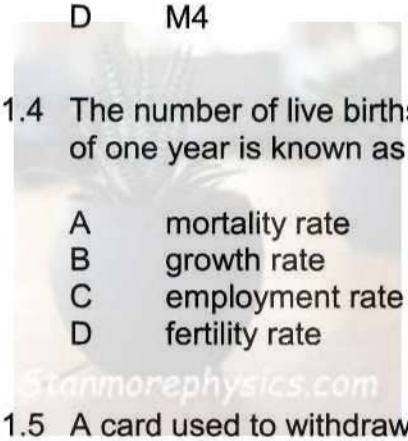
1.1.3 The total supply of money in the economy is known as …

A. M2
B. M3
C M1
D M4



1.1.4 The number of live births per 1000 people in an area over a period of one year is known as …

A mortality rate
B growth rate
C employment rate
D fertility rate



1.1.5 A card used to withdraw funds electronically from a cardholder's account or to pay for goods and services is known as a …

A credit card
B debit card
C bank card
D gift card

(5 x 2) (10)

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1.2 Choose a description from COLUMN B that matches the term in COLUMN A. Write only the letter (A-G) next to the question number (1.2.1-1.2.6) in the ANSWER. **E.g. 1.2.7 J** downloaded from Stanmorephysics.com

COLUMN A	COLUMN B	
1.2.1 Gini coefficient	A	Expresses the number of years a newborn infant will live if the prevailing patterns of mortality remain the same throughout a person's life.
1.2.2 Capital		
1.2.3 Monetary policy	B	The distribution of income among countries of the world.
1.2.4 Life expectancy	C	Goods that are used to produce other goods and offer services.
1.2.5 Global wealth		
1.2.6 Central bank	D	Money supply and interest rates are some of its instruments.
	E	A statistical measure used to express the inequality of income distribution.
	F	Credit cards and electronic transfers.
	G	An institution that manages a country's currency, money supply and interest rates.

(6 x 1) (6)

1.3 Give one term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.4) in the ANSWER BOOK.

ABBREVIATIONS AND ACRONYMS WILL NOT BE ACCEPTED.

1.3.1 The relationship between the quantity of output and quantity of input.

1.3.2 The increase in the number of the population in a country over time. downloaded from Stanmorephysics.com

1.3.3 The rate at which banks borrow funds from the Reserve Bank.

1.3.4 The amount of money available in an economy. (4 x 1) (4)

TOTAL SECTION A: [20]

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SECTION B

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

QUESTION 2: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

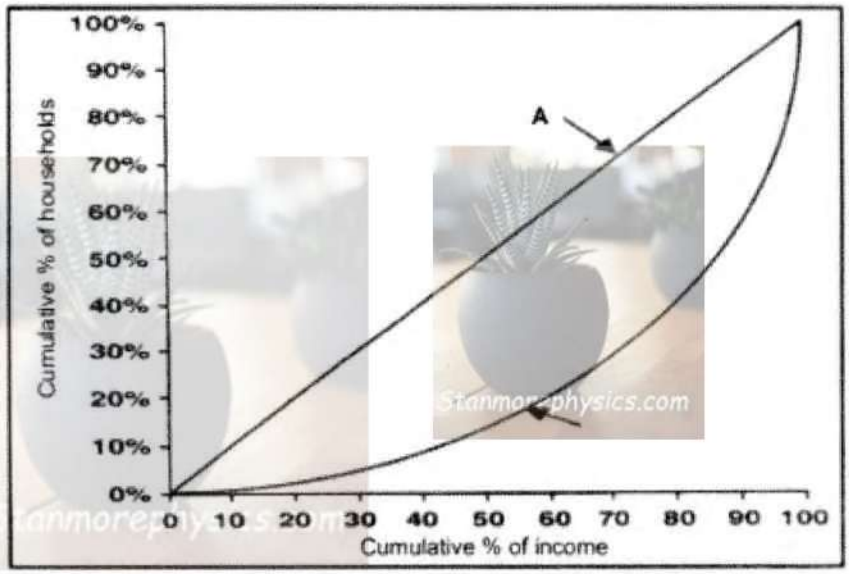
2.1 Answer the following questions:

2.1.1 Name any TWO money associated instruments. (2 x 1) (2)

2.1.2 How will an increase in the income tax affect the inequality between the rich and the poor? (1 x 2) (2)

2.2 Study the graph below and answer the questions that follow:

THE LORENZ CURVE



[Adapted from: Focus Economics]

2.2.1 Identify the economic concept depicted in the graph above. (1)

2.2.2 State any ONE source of wealth. (1)

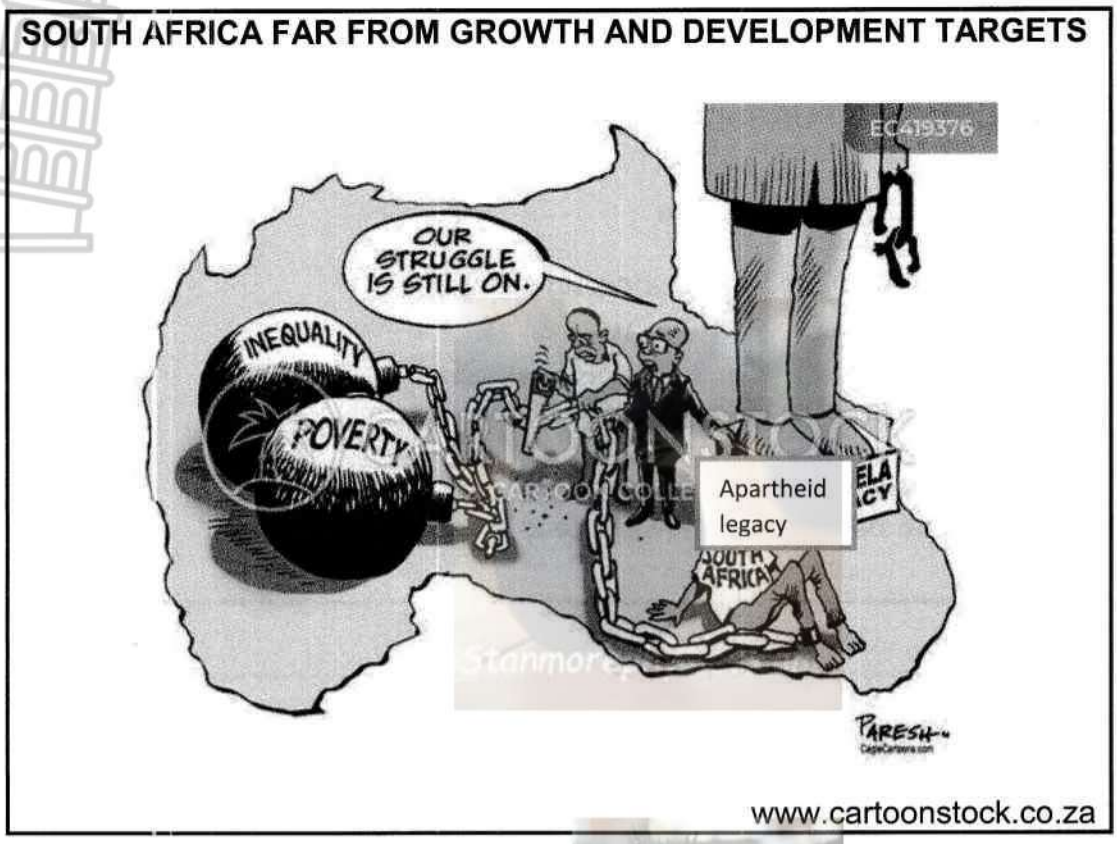
2.2.3 Briefly describe the term *economic growth*. (2)

2.2.4 Explain the use of the Gini coefficient to measure income inequalities. (2)

2.2.5 How is the Gini coefficient related to the Lorenz curve? (4)

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2.3 Study the cartoon below and answer the questions that follow:



2.3.1 Identify any ONE element of low living standards in the South African economy from the cartoon above. (1)

2.3.2 Name the policy that was aimed at halving unemployment and poverty by the year 2014. (1)

2.3.3 Briefly describe the term Lorenz curve. (2)

2.3.4 Explain the objectives of the Accelerated and Shared Growth Initiative for South Africa? (2)

2.3.5 How does Broad Based Black Economic Empowerment (BBBEE) contribute to addressing inequality in South Africa? (2 x 2) (4)

2.4 Briefly discuss *education reform* and *accessing modern technology* as development strategies. downloaded from Stanmorephysics.com (2 x 4) (8)

2.5 How will bank failures negatively affect the economy? (4 x 2) (8)

[40]

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QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO of South Africa's developmental endeavours. (2 x 1) (2)

3.1.2 Why do developing countries have a low standard of living? (1 x 2) (2)

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

SARB SLASHES REPO RATE TO 7% – A BOLD MOVE TO BOOST GROWTH

In August 2025, the South African Reserve Bank (SARB) reduced the repo rate by 25 basis points, bringing it down from 7.25% to 7%. This decision also lowered the prime lending rate to 10.50%, offering some relief to consumers and businesses. The move was based on favourable inflation data, with headline inflation at 3% and core inflation at 2.9%, both at the lower end of SARB's target range. downloaded from Stanmorephysics.com

Source: SARB Quarterly Bulletin Q3 2025

3.2.1 Identify the current repo rate according to the extract above. (1)

3.2.2 Name the institution that sets the repo rate in South Africa. (1)

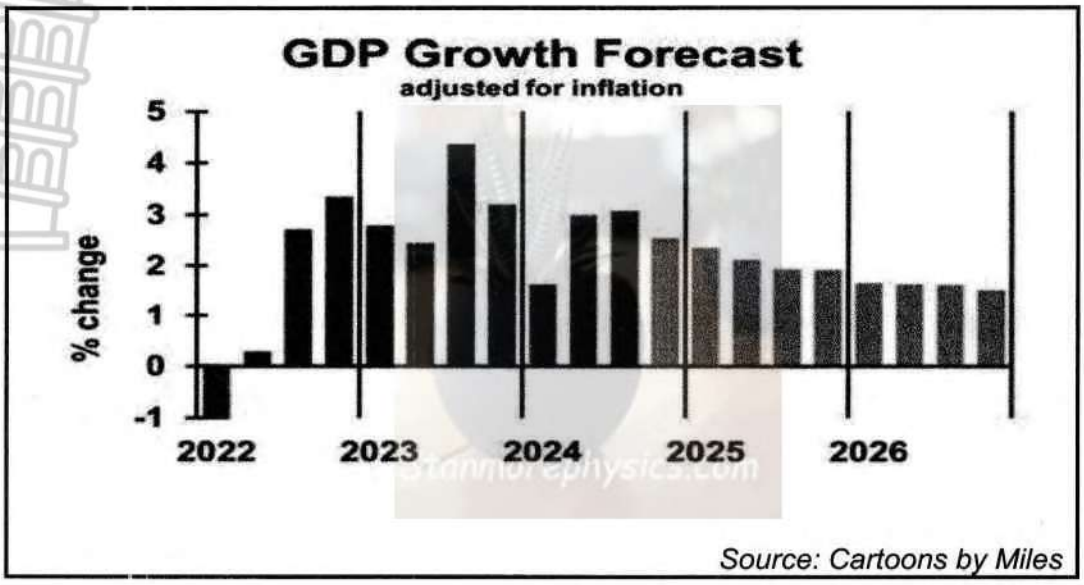
3.2.3 Briefly describe the term *money supply*. (2)

3.2.4 Explain the role of the (South African Reserve Bank) SARB when bank failures occur. (2)

3.2.5 How can open market transactions influence the money supply? (4)

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3.3 Study the graph below and answer the following questions.



3.3.1 Identify the economic growth rate for the first quarter of 2022 in the graph above. (1)

3.3.2 Name the tool used to measure the country's economic output per person. (1)

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

3.3.4 How does economic growth improve economic development? (2)

3.3.5 Why do developed countries have a high supply of skilled workers? (4)

3.4 Discuss the reasons that may lead to bank failures. (2 x 4) (8)

3.5 Evaluate the Reconstruction and Development Programme as a development strategy. (4 x 2) (8)

[40]

TOTAL SECTION B: [40]

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SECTION C

Answer any ONE of the TWO questions in this section.

Your answer will be assessed as follows:

STRUCTURE 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 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/ Critically discuss/ Compare/ Evaluate / Distinguish/ Differentiate/Explain/ Assess/ Debate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph. downloaded from Stanmorephysics.com **Additional part:** Give own opinion/Critically discuss/ Evaluate/ Critically evaluate/ Deduce/Compare/ Distinguish/ Interpret/ Briefly debate/ How/Suggest/ Analyse	Max. 26 Max. 10
Conclusion A higher-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 in detail the characteristics of developing countries. (26)
- How successful has the government been in providing basic health services in South Africa? (10)

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

- Discuss in detail the functions of the South African Reserve Bank. (26)
- How can SARB use interest rates to control the money supply in the country? (10)

TOTAL SECTION C: [40]

GRAND TOTAL: 100



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EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 11

ECONOMICS

MARKING GUIDELINES

SEPTEMBER 2026

MARKS: 100

This marking guideline consists of 15 pages.

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SECTION A (COMPULSORY)

QUESTION 1 — 20 MARKS – 15 MINUTES

1.1 DATA- RESPONSE

1.1.1 C - progressive tax ✓✓

1.1.2 A - human development index ✓✓

1.1.3 B - M3 ✓✓

1.1.4 D - fertility rate ✓✓

1.1.5 B - debit card ✓✓

(5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 E - A statistical measure used to express the inequality of income distribution. ✓

1.2.2 C - Goods that are used to produce other goods and offer services. ✓

1.2.3 D - Money supply and interest rates are some of its instruments. ✓

1.2.4 A - Expresses the number of years a new-born infant will live if the prevailing patterns of mortality remain the same throughout a person's life. ✓

1.2.5 B - The distribution of income among countries of the world.✓

1.2.6 G - An institution that manages a country's currency, money supply and interest rates. ✓ (6 x 1) (6)

1.3 GIVE THE TERM

1.3.1 Productivity ✓

1.3.2 Population growth ✓

1.3.3 Repurchase rate/ Repo rate ✓

1.3.4 Money supply ✓ (4 x 1) (4)

TOTAL SECTION A: [20]

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SECTION B

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

QUESTION 2: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

2.1 Answer the following questions:

2.1.1 Name any TWO money associated instruments.

- Credit cards ✓
- Debit cards ✓
- E-money ✓

(Accept any other correct relevant answer) (2 x 1) (2)

2.1.2 How will an increase in the income tax affect the inequality between the rich and the poor?

- An increase in the income tax will decrease the inequality gap between rich and poor. ✓✓

(Accept any other correct relevant answer) (1 x 2) (2)

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2.2 DATA RESPONSE

2.2.1 Identify the economic concept depicted in the graph above.

- Lorenz curve ✓ (1)

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2.2.2 State any ONE source of wealth.

- Savings ✓
- Income ✓
- Inheritance ✓

(Accept any other correct relevant answer) (1)

2.2.3 Briefly describe the term *economic growth*.

- Economic growth is a sustained increase in the production of goods and service in a country during a particular period. ✓✓

(Accept any other correct relevant answer.) (2)

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2.2.4 Explain the use of the Gini coefficient to measure income inequalities.

- A lower Gini coefficient (closer to zero), indicates that a country's income distribution is almost equal. ✓✓
- A Gini coefficient of zero represents a situation where everyone has the same income, while a coefficient of one represents a situation where one person holds all the income.✓✓

(Accept any other correct relevant answer.) **(2)**

2.2.5 How is the Gini coefficient related to the Lorenz curve?

- The Gini coefficient is derived from the Lorenz curve by dividing the area of inequality by the total area of the Lorenz curve ✓✓
- The Gini coefficient measures income inequality, and the Lorenz curve is a graphical illustration of income distribution. ✓✓

(Accept any other correct relevant answer.) (4)

2.3 DATA RESPONSE:

2.3.1 Identify any ONE element of low living standards in the South African economy from the cartoon above.

- Poverty ✓
- Inequality ✓ (1)

2.3.2 Name the policy that was aimed at halving unemployment and poverty by the year 2014.

- Accelerated and Shared Growth Initiative for South Africa/AsgiSA ✓ (1)

2.3.3 Briefly describe the term Lorenz curve.

- A graph showing the distribution of income (or wealth) within an economy. ✓✓

(Accept any other correct relevant answer) (2)

2.3.4 Explain the objectives of the Accelerated and Shared Growth Initiative for South Africa?

- To introduce policies, programmes and interventions that would allow the South African economy to grow enough to halve poverty and unemployment by 2014. ✓✓

(Accept any other correct relevant answer) (2)

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2.3.5 How does Broad Based Black Economic Empowerment (BBBEE) contribute to addressing inequality in South Africa?

- Promotes a fair representation of black South Africans, women, and people with disabilities in workplaces. ✓✓
- Offers support to promote black-owned businesses through funding, mentorship, and market access. ✓✓
- Provides training and education opportunities to improve employability and reduce inequality for all South Africans. ✓✓

(Accept any other correct relevant answer) (2 x 2) (4)

2.4 **Briefly discuss *education reform* and *accessing modern technology* as development strategies.**

Education Reform

- Education systems increase a skilled workforce that contributes towards industrial productivity and encourage national development. ✓✓
- Inclusive education expands opportunities for marginalized groups, reducing inequalities and fostering social equity. ✓✓

Accessing modern technology

- Investing in modern technology enhances efficiency across agriculture, manufacturing, and services, thereby increasing national output. ✓✓
- Advanced tools enable large-scale production at lower costs, making goods more affordable for citizens. ✓✓
- Technology encourages growth and boosts GDP and accelerates economic expansion, which is essential for sustainable national development. ✓✓

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(Accept any other correct relevant answer) (2 x 4) (8)

2.5 How will bank failures negatively affect the economy?

- Bank failures have a negative multiplier effect on the economy, decline in investments, decrease in demand, retrenchments, all leading to a recession. ✓✓
- Employers of the bank will become unemployed, increasing the burden on government. ✓✓
- Investors will be unable to obtain loans to expand or start businesses, leading to a decline in economic growth ✓✓
- Confidence in the banking sector is lost, resulting in widespread cash withdrawals ✓✓
- The bank will be unable to pay deposits to depositors. ✓✓

(Accept any other correct relevant answer) (4 x 2) (8)

[40]

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QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO of South Africa's developmental endeavours.

- Reconstruction and Development Program (RDP) ✓
- Growth, Employment and Redistribution (GEAR) ✓
- Accelerated and Shared Growth Initiative for South Africa (ASGISA)

(Accept any other correct answer) (2 x 1) (2)

3.1.2 Why do developing countries have a low standard of living?

- In developing countries there is a high level of poverty with no proper housing and domestic services. such as electricity, water, sanitation and removal of garbage. ✓✓
- Income per capita in developing countries is less than that of developed countries, and this means that people are unable to buy property, services and motor vehicles. ✓✓

(Accept any other correct relevant answer) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Identify the current repo rate according to the extract above.

7% ✓ (1)

3.2.2 Name the institution that sets the repo rate in South Africa.

South African Reserve Bank (SARB) ✓ (1)

3.2.3 Briefly describe the term *money supply*

Money supply is the amount of money available and circulating in the economy. (2)

(Accept any other correct relevant answer)

3.2.4 Explain the role of the South African Reserve Bank (SARB) when bank failures occur. downloaded from Stanmorephysics.com

- SARB intervenes to prevent a loss of confidence in the banking sector. ✓✓
- The SARB guarantees that depositors will not lose the money that they deposited in a registered bank. ✓✓

(Accept any other correct relevant answer) (2)

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3.2.5 How can open market transactions influence money supply?

- Open market transactions involve the buying and selling of state securities. ✓✓
- the SARB wants to limit the supply of money/money stock, it sells securities to the banks. ✓✓
- The banks then have less money available for granting loans. ✓✓
- When the SARB wants to increase the supply of money and stimulate the economy, it buys securities from banks.✓✓

(Accept any other correct relevant answer) **(2x2) (4)**

3.3 DATA RESPONSE

3.3.1 Identify the economic growth rate for the first quarter of 2022 in the graph above. downloaded from Stanmorephysics.com

- - 1✓ (1)

3.3.2 Name the tool used to measure the country's economic output per person.

- Real GDP per capita ✓ (1)

3.3.3 Briefly describe the term *economic development.*

- Economic development refers to an improvement in the standard of living and well-being of the citizens of a country. ✓✓

(Accept any other correct relevant response.) (2)

3.3.4 How does economic growth improve economic development?

- Living standards only increase when income is generated, which is a direct result of economic growth. ✓✓
- When economic growth occurs jobs are created which results in people having more income to spend which generally increases economic development. ✓✓

(Accept any other correct relevant answer) (2)

3.3.5 Why do developed countries have high supply of skilled workers?

- The developed nations invest significantly in education and vocational training, fostering a workforce equipped with advanced skills and expertise. ✓✓
- Access to quality education from early childhood ensures a strong foundation for skills development. ✓✓
- Developed countries have a strong research and development sector, which provide ongoing opportunities for professional growth and innovation ✓✓

(Accept any other correct relevant answer) (2 x 2) (4)

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3.4 Discuss the reasons that may lead to bank failures.

- A poor economic environment such as interest hike makes it difficult for banks to make a profit. ✓✓
- A large number of depositors withdrawal at the same time that cause the bank to be insolvent ✓✓
- A weak and fraudulent management may contribute to failure and can lead to liquidity ✓✓
- The over exposure to micro-lending and bad debt resulting in may loans not being repaid ✓✓
- Poor credit control measures that are in place ✓✓

(Accept any other correct relevant answer) (2 x 4) (8)

3.5 Evaluate the Reconstruction and Development Programme as a development strategy in South Africa.

Positive:

- RDP was a labour-intensive public works programme, it assisted in the reduction of poverty by providing more employment. ✓✓
- The RDP was a socio-economic policy framework that went through as a golden thread in every government plan.✓✓
- The programme assisted in the development of human resources, one of the most important resources that the economy needs for development✓✓
- Programme contributed in the increase of infrastructure development and promoted the implementation of land reform. ✓✓
- The provisioning of houses, water, electricity and primary health care is a crucial part of the programme.✓✓

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Negative:

- The unemployment rate kept rising especially among the youth as a result has one of the highest youth unemployment rates in the world. ✓✓
- Poverty and service delivery were never improved which has meant that inequality gap has not been reduces ✓✓

(Accept any other correct relevant responses.) (4 x 2) (8)

[40]

TOTAL SECTION B: [40]

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SECTION C

QUESTION 4: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss in detail the characteristics of developing countries.** **(26)**
- **How successful has the government been in providing basic health services in South Africa?** downloaded from Stanmorephysics.com **(10)**

INTRODUCTION

- Developing countries are nations that are still in the process of building strong economic and social systems. ✓✓

(Accept any other correct relevant introduction.)

Max 2

MAIN PART

Low standard of living ✓

- Majority of developing countries have low to medium standard of living. ✓✓
- The level of poverty is very high, as many employed people earn low wages. ✓✓
- In many cases, educational facilities are scarce, and children have to walk long distances to access education. ✓✓
- The level of education of the majority of developing countries is very low as educational facilities (such as schools) are limited and poorly resourced. ✓✓
- There are lack of proper health facilities, and this results in low life expectancy. ✓✓

Low level of productivity ✓

- The level of productivity of factors of production in developing countries is often low. ✓✓
- Countries often use low-level technological methods of production. ✓✓
- The use of labour-intensive methods of production which often produce much less than capital-intensive methods. ✓✓
- There is generally a lack of other inputs such as capital goods, experienced managers and skilled labour. ✓✓
- Poor health result into high level of absenteeism of workers and this reduces productivity. ✓✓

High population growth rate and dependency burdens ✓

- Developing countries experience high population growth rate. ✓✓
- Availability of medicines (even though not the best in these countries), has managed to reduce death rates, while birth rates are still high. ✓✓
- High birth rates place a financial burden on these countries' governments. ✓✓

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High level of unemployment ✓

- Developing countries have many people who are willing and able to work but have no jobs. ✓✓
- There are also many people who are under employed, which is when they do less work than they are capable of doing. ✓✓
- Under-employment include people with part-time jobs, seasonal workers, and people who do not work to their full economic potential. ✓✓
- High rate of unemployment and underemployment lead to poverty. ✓✓

Dependency on the primary sector ✓

- Most developing economies rely on primary economic activities such as agriculture and mining. ✓✓
- Agriculture is the largest contributor to gross domestic product and earns foreign exchange through exports. ✓✓
- Agricultural products fetch low prices in the international market, therefore bringing a low amount of foreign exchange, usually these countries import secondary products (manufactured goods) which are relatively expensive. ✓✓
- Many of developing countries struggle to have enough foreign exchange to finance the importation of secondary products. ✓✓

Deficient infrastructure ✓

- Developing countries lack sufficient and good infrastructure to achieve high economic growth and a better standard of living. ✓✓
- Roads and rail systems are poorly developed and therefore negatively affect transportation of raw materials and products. ✓✓
- Too little of electricity is generated by many of these countries, therefore limiting economic growth and development. ✓✓
- Internet access is poor in many rural areas, and affects services such as learning, teaching and banking. ✓✓

(Accept any other correct relevant response)
(Allocate the maximum of 8 marks for mere of listing of facts and examples)

Max 26

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ADDITIONAL PART

Basic services such as health and welfare have improved in the following ways:

- The government has built more public clinics and hospitals, especially in townships and rural areas, improving physical access to medical care. ✓✓
- Public clinics offer free basic healthcare services for low-income individuals, children, and pregnant women, reducing financial barriers. ✓✓
- National vaccination drives have increased coverage, protecting more children from preventable diseases like measles and polio. ✓✓
- Millions now receive social grants such as child support, old-age pensions, and disability aid, helping to reduce poverty and hunger. ✓✓
- The NHI aims to create a more equal healthcare system by improving quality and access, especially for the poor. ✓✓
- More women now receive prenatal check-ups and postnatal support, lowering maternal and infant death rates. ✓✓
- Widespread access to free antiretroviral therapy (ART) has improved life expectancy and reduced HIV transmission. ✓✓
- More communities now have access to clean drinking water and toilets, reducing waterborne diseases and improving hygiene. ✓✓

(Accept any other correct relevant response)
(Allocation a maximum of 2 marks for mere listing)

Max 10

CONCLUSION

- Developing countries should improve the quality and quantity of the labour force through improved health services, education and training. ✓✓

(Accept any other correct relevant higher order conclusion)

Max 2

[40]

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

- **Discuss in detail the functions of the South African Reserve Bank. (26)**
- **How can SARB use interest rates to control the money supply in the country? (10)**

INTRODUCTION

- The central bank has the responsibility of protecting the value of the currency in the interest of balanced and sustained economic growth ✓✓

  (Accept any other correct relevant introduction.)

Max 2

MAIN PART

Issues notes and coins ✓

- The SARB has the sole right to issue money in South Africa. ✓✓
- The South African Mint produces coins. ✓✓
- The South African Bank Note Company produces bank notes. ✓✓
- All banks obtain their money from the Reserve Bank by withdrawing from their balances that are held by the Reserve Bank. ✓✓

It is the banker of the commercial banks✓

- The SARB declares and keeps the minimum cash reserves that all commercial banks are required to hold to stay solvent. ✓✓
- In their daily operations, banks accept cheques drawn on other banks. ✓✓

Banker to the government ✓

- The government, different departments, provincial governments and government-owned enterprises keep their accounts with the Reserve Bank. ✓✓
- The Reserve Bank provides the banking services to the government that the other banks provide to their clients. ✓✓downloaded from Stanmorephysics.com
- The Reserve Bank also provides financial advice to the government and its department. ✓✓

Custodian of gold and foreign reserves✓

- The central bank acts as custodian of the country's assets. ✓✓
- Once it has been refined, the country's gold is stored in the vaults at the Reserve Bank. ✓✓
- Foreign reserves are also kept at the Reserve Bank. ✓✓
- Foreign reserves are other countries' money systems that are held in a country.✓✓

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Lender of last resort✓

- When the banks have exhausted all their resources of finance, and they experience a shortage of funds, they approach the Reserve Bank for loans. ✓✓
- When the Reserve Bank lends money to banks, it charges the repo rate. ✓✓

Credit control✓

- The important function of the central bank is to control the money supply in a country. ✓✓
  When commercial banks supply excessive credit, the money supply will increase and result into inflation.✓✓
- If too much money is supplied, the value of a country's currency will decrease. ✓✓

Collects Economic and statistical information✓

- Once every quarter, the Reserve Bank Quarterly Bulletin is published, in which it provides information about the state of the economy of the country at that time. ✓✓

(Accept any other correct relevant response)
(Allocate the maximum of 8 marks for mere of listing of facts and examples)

Max 26



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ADDITIONAL PART

The SARB uses interest rates to control the money supply in the following ways:

- Increasing interest rates makes loans, credit cards, and mortgages more expensive for consumers and businesses. This discourages them from taking on new debt, which slows down spending and investment, thereby reducing the amount of money circulating in the economy. ✓✓
- When interest rates are cut, loans and credit become more affordable, encouraging businesses to invest in expansion and consumers to spend more on goods and services. This increase in borrowing injects more money into the economy, boosting economic activity. ✓✓
- By adjusting interest rates, SARB influences overall demand. Higher rates typically reduce demand, helping to prevent the economy from overheating and controlling inflation within the target range of 3% with tolerance band of ±1%. Lower rates can boost demand if inflation is too low or the economy is slowing down. ✓✓
- Higher interest rates make it more expensive to borrow, which slows down the creation of new credit by banks. Since banks create money through lending, this helps SARB control how much new money enters the economy, preventing excessive inflation. ✓✓
- SARB uses interest rate adjustments to maintain a balance between encouraging economic growth and preventing inflation from rising too quickly. This helps ensure stable prices and a healthy economy over time. ✓✓
- Changes in the repo rate send clear signals to investors, businesses, and financial markets about SARB's views on the economy's health and future policy direction, which can influence investment decisions and market confidence. ✓✓

(Accept any other correct relevant response)
(Allocation a maximum of 2 marks for mere listing)

Max 10

CONCLUSION

- All the functions of the SARB must be properly executed by everyone responsible, to ensure an efficient and effective banking service in the country. ✓✓

(Accept any other correct relevant higher order conclusion)

Max 2

TOTAL SECTION C: [40]

GRAND TOTAL: 100