INTERNAL EXAMINERS:
PROF D MAHADEA

INTERNAL MODERATOR:
Dr H Ngalawa

EXTERNAL EXAMINER:
PROF A VAN DER MERWE (DUT)

TOTAL: 100 MARKS

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of TWO numbered pages, including this page.

2. There are 6 questions in this paper. 
   ANSWER ANY FOUR (4) QUESTIONS

3. Answer all Questions in a single booklet (or additional booklet, if required).
   Do not write your name on the booklets.

4. Submit all booklets, even if you have not used them all.

5. All questions carry equal marks (25 marks).
QUESTION 1  
(25 Marks)

1a. Assume that you are employed by the FNB as an Advisor and you have to make a presentation on the nature and functions of money in South Africa to a group of clients. Explain how you would present the nature and functions of money to your audience. (15)

1b. Although the South African Reserve Bank (SARB) sets one Repo rate, numerous rates of interest exist at the same time for different transactions. Explain why is this so. (10)

QUESTION 2  
(25 Marks)

Using the Phillips curve analyses, examine the relationship between inflation and unemployment.

QUESTION 3  
(25 Marks)

What is money supply and what determine the supply of money in South Africa?

QUESTION 4  
(25 Marks)

Friedman restated the Quantity Theory as a theory of demand for money, much in line with demand for a consumer product. Examine Friedman’s theory of demand for money and briefly show its link to the consumer utility theory, it’s dissimilarity to the Keynesian Liquidity Preference theory.

QUESTION 5  
(25 Marks)

Using the IS/LM framework, compare and contrast the Keynesian and Monetarist approach through which an expansion in the money supply can affect an economy that operates with a flexible exchange rate system.

QUESTION 6  
(25 Marks)

The SARB uses Monetary Policy to control interest rates, inflation and the supply of money. List the tools of monetary policy and examine how these tools can be used to reduce inflation from above 6% to a 6%-target in South Africa.