



ANDERSON JUNIOR COLLEGE

JC2 Preliminary Examination

Higher 2

**ECONOMICS**

**9732/02**

**Paper 2**

28 August 2008

**2 hours 15 minutes**

Additional Materials : Answer Paper

**READ THESE INSTRUCTIONS FIRST**

Write your name, PDG and index number in the spaces provided on all the work you hand in.

Write in dark blue or black ink.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **three** questions in total, of which **one** must be from Section A, **one** from Section B and **one** from **either** Section A or Section B. **Start a new question on a fresh sheet of paper.**

At the end of the examination, **fasten your work separately according to questions so that you have 3 sets of answer scripts. Attach this cover page in front of the first question attempted.**

Indicate in the table below the **question numbers** of the **three** questions you have attempted.

The number of marks is given in brackets [ ] at the end of each question or part question.

Name: \_\_\_\_\_ ( )

PDG: \_\_\_\_\_

Question Number	Marks Awarded
Total Marks	<b>/75</b>

This document consists of **2** printed pages, including this cover page.

**[Turn over**

Answer **three** questions in total.

### Section A

**One** or **two** of your three chosen questions must be from this section.

- 1 “Rising incomes in China have caused retailers of domestically produced luxury goods and services to struggle to win a share of consumer’s wallets, resulting in rash proposals for expansions through the opening of new outlets.”

*Adapted from Economist, Aug 3<sup>rd</sup> 2006*

Discuss the relevance of price elasticity of demand, income elasticity of demand, cross elasticity of demand and price elasticity of supply in explaining the effects of the above-mentioned situation in the market for China-made luxury goods and services.

**[25]**

- 2 US confectionery Mars receives the all clear from the European Commission to buy Number One chewing gum maker Wrigley in a deal worth €15 billion. Their competitors are concerned whether this would give Wrigley an unfair advantage over them.

(a) Explain clearly the price and output decisions of confectionery producers in Europe. **[10]**

(b) Discuss the likely economic effects of this merger on society. **[15]**

- 3 (a) Why must public goods be provided by the government? **[8]**

(b) Is it justifiable for the government to provide goods that are not classified as public goods? **[17]**

### Section B

**One** or **two** of your three chosen questions must be from this section.

- 4 (a) Explain what is meant by the equilibrium level of national income. **[8]**

(b) Reductions in the top tier personal income tax rate from 21% to 20% and in the corporate tax rate from 20% to 18% have made Singapore one of the countries with the lowest tax rates in the world.

Discuss the impact of the reduction in personal and corporate tax rates on the equilibrium level of national income of Singapore.

**[17]**

- 5 (a) Explain why Singapore trades with both developed as well as developing countries. **[10]**

(b) Comment on the impact of globalisation on developed and developing countries. **[15]**

- 6 China faces imminent overheating of the economy with rapidly rising growth of fixed asset investment and borrowing.

(a) Explain why “rapidly rising growth of fixed asset investment and borrowing” may lead to overheating of the economy. **[10]**

(b) Evaluate the options open to the Chinese government in trying to bring about sustained economic growth. **[15]**