



INNOVA JUNIOR COLLEGE
JC 2 PRELIMINARY EXAMINATIONS 2
in preparation for General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/02

Paper 2

9 September 2008

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your index Number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
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.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **3** printed pages and **1** blank page.



Innova Junior College

[Turn over

Answer **three** questions in total.

Section A

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

- 1** “As the US economy tips into recession, there are merger talks between Delta and Northwest, the third- and fifth-largest airlines. It suddenly looks as if an often predicted, but never realised, wave of consolidation is about to hit American aviation.”

Source: The Economist, 14 Feb 2008

- (a) With the aid of diagrams, explain how the recession and the merger of the major airlines would affect the market for air travel. [10]
- (b) Discuss how the Singapore government might use the concepts of price elasticity of demand and income elasticity of demand to determine the impact of a recession on Singapore balance of payments. [15]
- 2** (a) Explain how, in economic theory, firms in the real world would compete for higher profit levels. [12]
- (b) Discuss whether firms will always merge to dominate the market for each and every type of product to maximise their profits. [13]
- 3** With reference to examples, discuss whether the Singapore government currently adopts appropriate policies in the provision of healthcare. [25]

Section B

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

- 4 (a)** Explain the potential causes of a recession. [8]
- (b)** Discuss the most appropriate economic policies the government can adopt to bring a country out of recession. [17]
- 5 (a)** Explain the impact of rising global oil prices on the Singapore economy. [10]
- (b)** Discuss whether exchange rate policy is most effective in alleviating the most harmful effects of rising global oil prices for the Singapore economy. [15]
- 6** Discuss the view that globalization is more likely to be beneficial to large economies such as China and India than a small economy such as Singapore. [25]

-End of Paper-

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