



RIVER VALLEY HIGH SCHOOL  
YEAR 6 Preliminary Examination  
in preparation for General Certificate of Education Advanced Level  
Higher 2

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## ECONOMICS

9732/02

Paper 2: Essay Questions

22 September 2014

Additional Materials: Answer Paper

2 hour 15 minutes

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### 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.  
Start each question on a **new** sheet of paper.

At the end of the examination, fasten your work securely together.  
Your answers for Section A and B are to be handed in **separately**, with the cover page placed on top.

Indicate on the cover page the question(s) you have attempted for that section.

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

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This document consists of **2** printed pages.



[Turn over

Answer **three** questions in total.

### Section A

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

- 1 Increasing affluence and advances in modern technology have contributed to the proliferation of e-reading devices and e-books. In addition, an increasing number of publishing companies have started to produce e-books.  
  
Discuss how these developments might affect the revenue earned from the sales of e-books and related products. [25]
- 2 The degree of market dominance is often associated with the size of a firm.
  - (a) Explain how the degree of market dominance affects the amount of profits earned by a firm. [10]
  - (b) Discuss whether economic analysis favours large firms over smaller ones. [15]
- 3
  - (a) Using the product and resource markets, explain the signalling and incentive functions of prices. [10]
  - (b) Discuss the extent to which these functions of prices are reliable. [15]

### Section B

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

- 4 Faced with a huge budget deficit, the governments of many countries have had their hands tied in reviving their economies.
  - (a) Explain the factors that will determine whether a budget deficit is a major concern to an economy. [8]
  - (b) Assess the policy options available to stimulate an economy if its budget deficit is of a major concern. [17]
- 5 The IMF highlighted that the first line of defence against slowing growth should be to allow the automatic stabilisers to operate, monetary policy easing and measures to ease the flow of credit.
  - (a) Explain how automatic stabilisers and measures to ease the flow of credit are the first line of defence against slowing growth. [8]
  - (b) Discuss whether it is useful to adopt a more aggressive fiscal policy. [17]
- 6 Higher oil costs, rising housing rents, more expensive private transportation and unemployment near a three-year low have led the Monetary Authority of Singapore to raise its 2012 inflation forecast.  
  
Discuss the view that Singapore's ability to achieve price stability is determined by her economic integration with the rest of the world. [25]