

# TAMPINES JUNIOR COLLEGE

Preliminary Examination 2008

**ECONOMICS**

**9732/02**

Higher 2  
Paper 2 (Essay)

Monday 25 Aug 2008

08 00 – 10 15 (2 hours 15 mins)

## **READ THESE INSTRUCTIONS FIRST**

Write your name and civics class in the spaces provided on the answer paper.

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.

Write your answers on the separate answer paper provided.

Write the question numbers of the questions you have attempted on the cover sheet.

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.

You are reminded of the need for good English and clear presentation in your answers.

You may answer with reference to your own economy or other economies you have studied where relevant to the question.

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

Answer **three** questions in total

### Section A

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

- 1** “The new S\$12 million FairPrice Xtra hypermarket, at Ang Mo Kio Hub, offers a wider range of goods than the typical FairPrice supermarket, and includes new lines like electronic products and fashion wear.”
- (a) Explain how the scale of a firm influences its costs. [10]
- (b) Assess the relevance of price elasticity of demand, income elasticity of demand, cross elasticity of demand to the supermarkets in Singapore. [15]
- 2** (a) Explain how, in economic theory, a firm in a perfectly competitive market determines the price and output that would maximise profit. [8]
- (b) Discuss whether this model of market structure is the most appropriate to explain the behaviour of firms in Singapore. [17]
- 3** A new carbon capture and storage technique known as carbon sequestration is being developed. This involves capturing greenhouse gas pollution from power stations and locking it deep beneath the ground.
- (a) Explain why greenhouse gas pollution from power stations are likely to cause market failure. [8]
- (b) Assess the policies that the Singapore government currently adopts to overcome this market failure and consider whether the government should finance the development of new technology such as carbon sequestration. [17]

## Section B

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

- 4** The Singapore economy continued to expand at a healthy pace of 6.7% in the first quarter of 2008. Employment expanded strongly, increasing by 68,000. .... Oil and food prices have risen more rapidly and are expected to continue to increase. Consumer price inflation trended upwards to 7.5% in June 2008.

*Source: MTI, 10 July 2008*

- (a) Explain the likely causes of inflation in an economy. [10]
- (b) Discuss whether monetary policy is the best policy to curb inflation in Singapore. [15]

- 5** The two casinos set to open in the Integrated Resorts in Singapore are part of the government's longstanding effort to reorient the economy toward higher-value service industries like tourism and biosciences as it loses manufacturing competitiveness to China.

*New York Times, 19 April 2005*

Explain the rationale for the above policy and discuss whether it is the best policy to achieve the government's macroeconomic goals in a globalised world. [25]

- 6.** (a) Using economic theory, explain why there are gains from free trade. [10]
- (b) Discuss how exchange rate changes may affect a country's international trade. [15]