

YISHUN JUNIOR COLLEGE

JC 2 PRELIMINARY EXAMINATIONS

H2 ECONOMICS

9732/02

PAPER 2

14th August 2008

Duration: 2 hours 15 min



READ THESE INSTRUCTIONS FIRST

Write your name and CTG 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 highlighters 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.

Answer three questions in total.

SECTION A

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

- 1 Given that Small Medium Enterprises (SMEs) contribute about 50% to Singapore's Gross Domestic Product, does this mean that size does not matter for firms to survive in Singapore? [25]
- 2 (a) Explain how the pricing and output decisions of a firm in an oligopolistic market are affected by the reactions of its rivals. [10]
(b) Discuss the view that oligopolists should be allowed to collude, for example, by fixing prices or by undertaking joint research and product development. [15]
- 3 (a) Explain how the environmental costs associated with emission of pollutants by firms result in a misallocation of resources. [10]
(b) Evaluate the effectiveness of the current measures that are adopted to control carbon emissions by firms. [15]

SECTION B

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

- 4 How far do you agree that low interest rates and low inflation are the most important aims of government policy in maximising economic welfare? [25]
- 5 (a) Explain the possible impact of the recent increases in the price of oil on a country. [10]
(b) Discuss the possible measures that government can take to overcome the problems that arise from the increase in the price of oil. [15]
- 6 'Free trade and specialisation enable goods and services to be obtained as cheaply as possible and should always be encouraged.' Do you agree? [25]