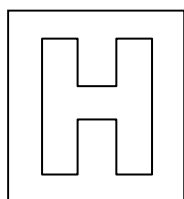


Candidate Name: \_\_\_\_\_

Class      Adm No

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## 2014 Preliminary Examination II

### Pre-university 3

**ECONOMICS**

**9732/02**

Paper 2: Essay Questions

**19 September 2014**

Additional Materials:      Answer Paper

**2 hours 15 minutes**

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#### READ THESE INSTRUCTIONS FIRST

Write your name and class 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 or graphs.  
Do not use 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.

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

**[Turn over**

Answer **three** questions in total.

**Section A**

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

1. Smartphone usage is predicted to overtake computer usage in the near future. This is due to advances in smartphone technology and greater affluence.

Discuss how the combination of smartphone technology and greater affluence might affect the expenditure by consumers on different models of smartphones. [25]

2. (a) Explain the various forms of barriers to entry. [8]

(b) Should the government act to reduce barriers to entry whenever possible? [17]

3. (a) Explain how national defence and income inequality may lead to market failure. [10]

(b) Discuss the policies used by the Singapore government to address these causes of market failure. [15]

## Section B

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

4. (a) Explain how fiscal policy can be used to encourage both actual and potential economic growth. [10]

(b) Discuss the extent to which conflicts in government macroeconomic objectives limit the scope for the use of fiscal policy. [15]

5. Recent adverse weather conditions as well as military conflicts around the world have led to an increase in the prices of oil and other primary products.

To what extent would you agree that it is the increase in prices of oil and other primary products which have contributed the most to the inflation rate in Singapore? [25]

6. Singapore's Balance of Payments rose to \$33 billion in 2012 from \$21 billion in 2011, also reflecting a smaller net outflow from the capital and financial account. Singapore's official foreign reserves rose to \$317 billion at the end of 2012.

(a) Using economic analysis, explain Singapore's pattern of trade with the rest of the world. [10]

(b) Assess whether there is a need for the Singapore government to change its policies for managing the balance of payments. [15]