

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

CT Group: \_\_\_\_\_

Index number: \_\_\_\_\_

**PIONEER JUNIOR COLLEGE**  
**JC 2 Preliminary Examination 2011**  
Higher 2



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**ECONOMICS**

**9732/02**

Paper 2

**Friday 16 September 2011**

**2 hours 15 minutes**

Additional materials: Writing Paper

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**READ THESE INSTRUCTIONS FIRST**

Write your class, 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 your work for **each** question **separately**.  
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

Answer **three** questions in total.

### Section A

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

- 1 (a) Explain how an understanding of the concepts of price elasticity of demand and cross price elasticity of demand can aid producers in making price and output decisions. [10]
- (b) Discuss how an increase in goods and services tax on luxury goods might influence the revenue of producers of luxury goods and of related goods. [15]
- 2 US confectionary Mars received the all clear from the European commission to buy number one chewing gum maker Wrigley in a deal worth €15 billion. Their competitors are concerned that this would give Wrigley an unfair advantage over them.
- (a) Explain how, in economic theory, firms in imperfect markets would determine the price that would maximize profits. [8]
- (b) Discuss the assertion that acquisitions by large firms such as Mars are desirable to society. [17]
- 3 Sometimes, prices fail to reflect costs fully.
- (a) Explain why the above would be of concern to a government. [10]
- (b) Assess the use of taxation by the Singapore government to deal with the above problem. [15]

### Section B

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

- 4 Countries with large trade surpluses must take steps to boost domestic demand. No nation should assume that their path to prosperity is simply paved with exports to America.
- (a) Explain what is meant by equilibrium in the macroeconomy using the circular flow of income. [8]
- (b) Discuss the extent to which countries should boost domestic demand in their pursuit of prosperity. [17]
- 5 Assess the view that monetary policy centred on exchange rate is the most effective measure to overcome the main macroeconomic problems faced by Singapore in recent years. [25]
- 6 "Rapid globalization has brought about greater market access and partners for development, but has also placed some economies in a more vulnerable position." Discuss. [25]