

Candidate Name: \_\_\_\_\_  
Index no. : \_\_\_\_\_

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

**PIONEER JUNIOR COLLEGE  
JC 2 PRELIMINARY EXAMINATIONS 2008**



**ECONOMICS  
Higher 2**

**9732/02**

**Paper 2**

**Tuesday**

**16 SEP 2008**

**2 hours 15 mins**

Additional materials: Answer paper

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your name, CT group and index number in the spaces provided on the cover page and all the answer papers provided.

Begin each section on a fresh sheet of paper. At the end of the examination, you will be required to **hand in your answers to the different sections separately.**

**Attach the cover page to your answer for Section A.**

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.

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.

**Enter the Question number attempted in the boxes below**

<b>Section</b>	<b>Question No.</b>	<b>Marks</b>
Section A	Q (       )	/ 25
Section B	Q (       )	/ 25
Section A or B	Q (       )	/ 25
Total		/ 75

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**This question paper consists of 2 printed pages (inclusive of this page)**

Answer **three** questions in total

### Section A

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

1. Prices tell us what goods and services to produce and consume and what employment to seek or offer.
  - (a) Explain the functions of price in a market economy. [10]
  - (b) Discuss whether the introduction of maximum prices by a government would solve the problem of scarcity. [15]
2. Air fares on major airlines from Singapore to London and Europe will cost more during peak period travelling seasons. The fares are to be fixed by a twenty – strong group of airline companies.
  - (a) Explain how price discrimination can occur, and consider whether the above situation is an example of price discrimination in operation. [12]
  - (b) If the agreements between the airline companies were ended and fares left to competitive market forces how might consumers be affected. [13]
3. With reference to examples, distinguish between a private good and a public good and discuss whether the government of Singapore should restrict itself to the provision of public goods. [25]

### Section B

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

4. Like many countries, the problem of inflation together with slower economic growth will hit Singapore, given the current energy and food crisis. A few years ago it was the issue of structural unemployment that Singapore had to deal with.

To what extent can policies used in the past be used to deal with the current problems that Singapore is facing? [25]
5. (a) Explain how a fall in direct taxes will affect the level of national income. [10]  
(b) Consider the view that a fall in direct taxes and a rise in indirect taxes will lower the standard of living of Singapore [15]
6. (a) Distinguish between a balance of trade deficit and a budget deficit [8]  
(b) Discuss whether protectionism is the **best** way to reduce a balance of trade deficit. [17]

