



SERANGOON JUNIOR COLLEGE

JC2 Preliminary Examination

ECONOMICS
Higher 2

9732/02

PAPER 2

19 August 2008

2 hours 15 minutes

Additional Materials: Writing paper

READ THESE INSTRUCTIONS FIRST

Write down your name and civics group on all the work you hand in.

Write in dark blue or black pen.

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 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.

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

Answer **three** questions in total.

Section A

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

- 1 With economic growth, demand for oil has been increasing. Rising oil prices resulted in grains used not only as animal feed and breakfast cereals but also to make biofuels as an alternative for oil. Governments in an attempt to promote the use of biofuels have subsidised the production of corn.
 - (a) In the light of the above, explain how the market for grains is likely to be affected. **[10]**
 - (b) Discuss the relevance of the elasticity concepts to help Kellogg's, a producer of cereals, to maximise its profits. **[15]**

- 2
 - (a) Explain how firms might compete in an oligopolistic market. **[10]**
 - (b) Using relevant examples, discuss the view that there should be greater competition in such markets. **[15]**

- 3
 - (a) Distinguish between a public good and a merit good and consider into which classification museums should be placed. **[10]**
 - (b) Discuss whether government intervention in the market for public and merit goods can ensure an efficient allocation of resources. **[15]**

Section B

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

- 4 Many countries face a growing dilemma on monetary policy: how to gauge the right mix to control rising inflation without excessively slowing economic growth.
 - (a) Explain how the situation above can be used to illustrate the concept of opportunity cost. **[8]**
 - (b) Discuss the extent to which changes in government expenditure and taxation should be used to sustain the rate of economic growth in your country. **[17]**

- 5** **(a)** Explain the major factors that determine the level of foreign direct investment in a country. **[10]**
- (b)** Assess the role of foreign direct investment in raising the standard of living of a country. **[15]**
- 6** Explain why the value of the Singapore dollar against foreign currencies has been appreciating in recent months and discuss whether changes in the exchange rate are of economic significance. **[25]**

End of Paper