

TEMASEK JUNIOR COLLEGE
PRELIMINARY EXAMINATION 2008

ECONOMICS:

9732/02

PAPER 2

Thursday 11 September 2008

1400-1615 Hours

READ THESE INSTRUCTIONS FIRST

Do not turn over until you are told to do so.

Write your name and CG number 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 your work for each question separately. Hand in your essays separately. Fill out and attach the cover page to one of your essays.

The number of marks is given in brackets [] at the end of each question or part question.

This question paper consists of 2 printed pages.

[Turn over

Answer **three** questions in total.

Section A

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

- 1 In many countries, petrol is among the most heavily taxed goods. Motorists have often exclaimed, "If the petrol tax were any higher, I'd take the bus!"
- (a) Explain why petrol is heavily taxed. [10]
- (b) Examine the relevance of price elasticity of demand and income elasticity of demand for raising tax on petrol. [15]
- 2 "After five years in the World Trade Organization, China is drafting an anti-monopoly law that might force companies such as Microsoft to give up leading market shares in the world's fastest-growing economy."
Bloomberg News, 24 August 2006
- (a) Contrast the features of perfect competition with those of monopoly. [10]
- (b) Discuss whether China's intention to implement anti-monopoly laws is beneficial to the society. [15]
- 3 Why are some goods in Singapore, for example national defense and healthcare, provided by the state and others, for example food, are not? [25]

Section B

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

- 4 "The policies which a government usually adopts to reduce the rate of inflation in an economy may do more harm than good."
- Explain and evaluate the policies which a government may adopt to reduce the rate of inflation in an economy. [25]
- 5 "Earlier this month, the Monetary Authority of Singapore allowed the Singapore dollar to jump in value as part of its fight against rising inflation, which is at a 26-year high."
The Straits Times, 24 April 2008
- (a) Explain the relationship between internal and external value of Singapore dollar. [12]
- (b) Discuss the likely impact of this 'jump in value' of Singapore dollar on the Singapore economy. [13]
- 6 'The VAT began life in the more developed countries of Europe and Latin America but, over the past 25 years, has been adopted by a vast number of developing and transition countries.'
Finance & Development (IMF), 2001, Vol. 39-2
- (a) Explain the likely effect of a shift towards the value-added tax on a government's budget. [12]
- (b) Discuss whether it is sustainable for both developed and developing countries to rely on this type of tax as a major source of revenue. [13]

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COVER SHEET

NAME: _____ **CG:** _____

Circle the number of the 3 questions that you have attempted:

QUESTION NUMBER	MARKS
Section A	
1	
2	
3	
Section B	
4	
5	
6	
Total:	75

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CG: _____

ECONOMICS TUTOR: _____

Max number of students: _____ **Number of absentees:** _____

Number sat: _____

Q #	Number of scripts	Σ	Marked by	Remarks
1				
2				
3				
4				
5				
6				
Total:				