



RAFFLES INSTITUTION
2023 YEAR 5 PROMOTION EXAMINATION
Higher 2

ECONOMICS

9570/02

Paper 2 Essay Questions

September 2023

1 hour 40 minutes

Additional Materials: Answer Paper
 Cover Sheets

READ THESE INSTRUCTIONS FIRST

Write your name, index number and civics 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 diagrams, graphs or rough working.

Do not use paper clips, highlighters, glue or correction fluid.

Answer **two** questions.

Start each question on a fresh sheet of answer paper.

Attach a cover sheet and attach the answer to each question separately.

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

This document consists of **2** printed pages



Raffles Institution

Answer **two** questions.

- 1 Lower interest rates on housing loans have caused the average sales price of apartments in affluent Seoul districts to nearly double between May 2017 to May 2021. This prompted the government of South Korea to set a price ceiling on new apartments in these districts.
 - (a) Explain how rational decision-making by consumers and producers enables prices to act as signals to manage the problem of scarcity in a free market. [10]
 - (b) Discuss the effectiveness and desirability of implementing the price ceiling on the market for new apartments in affluent Seoul districts. [15]

- 2 Brompton bicycles are expensive because they are fully customisable, and their frames are hand-built in England from premium steel. Recently, the CEO of Brompton has announced that the British folding bike company will seek to make acquisitions as part of its growth strategy.
 - (a) With reference to both revenue and cost factors, explain why bicycle manufacturers of hand-built customisable brands charge higher prices than manufacturers of mass-produced standardised brands. [10]
 - (b) Discuss whether such a growth strategy will benefit the British bike manufacturer and consumers. [15]

- 3 Although e-cigarettes do not generate as much second-hand smoke, it is highly addictive, and creates a heavy burden on the healthcare system. Some countries have completely banned them, while others have imposed a tax on its production.
 - (a) Explain why the market for e-cigarettes fails to achieve efficient allocation of resources. [10]
 - (b) Discuss the approaches taken by different governments in the market for e-cigarettes. [15]

*****END OF PAPER*****