



ST ANDREW'S JUNIOR COLLEGE
PRELIMINARY EXAMINATIONS – 2011
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/02

Paper 2: Essay Questions

19 Sep 2011

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name and 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 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.



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[Turn Over

Answer **three** questions in total.

Section A

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

- 1** China's economy grew at an average of 10% over the past decade. Under the terms of the EU-China WTO accession agreement, China has also agreed to substantial reductions on import tariffs for over 150 leading European exports, ranging from machinery to wines and spirits.

Assess the likely impact of the rising income in China and her reduction of import tariffs on the sales of various types of EU's exports to China and China's domestic sales. [25]

- 2** Proton, Malaysia's largest car producer, continues to struggle with high production costs that make local cars relatively more expensive than many foreign cars.

Source: *AsiaTimes* Aug 2003

(a) Explain how a firm like Proton can enjoy economies of scale. [10]

(b) Discuss the relevance of achieving cost savings in determining the welfare of consumers. [15]

- 3** The wonders of free market often disappear when the assumptions are relaxed.

(a) Explain how the free market could bring 'wonders' to the economy. [10]

(b) Discuss the view that the government would often fare better than the free market when the assumptions are relaxed. [15]

Section B

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

- 4** The relative importance of aggregate expenditure components in influencing the outcome of the economy differ among economies, depending on their size, openness and the government policies.

(a) Explain the above statement. [10]

(b) Assess the policies which the Singapore government could adopt to achieve sustainable growth for its economy. [15]

- 5** Discuss whether maintaining low unemployment rate will lead to an improvement in the standard of living in an economy. [25]

- 6** Globalisation is a double-edged sword, as the increased interconnectedness not only creates opportunities but also presents risks.

Speech by Mrs. Lim Hwee Hua, Minister Of State For Finance And Transport At The CPA Forum, Aug 2007

(a) Explain how globalisation could bring opportunities and risks to an economy. [12]

(b) Discuss whether the Singapore government currently adopts appropriate policies to reduce the risks of globalisation. [13]