



**JURONG JUNIOR COLLEGE  
PRELIMINARY EXAMINATION 2014**

**ECONOMICS**

**Higher 2**

**9732/02**

**Paper 2**

**15 September 2014**

**2 hours 15 minutes**

**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.

**Start each question on a new piece of paper.**

**Fill in the necessary information on the cover sheet.**

At the end of the examination, fasten all your work securely **with the cover sheet at the top**.  
The number of marks is given in brackets [ ] at the end of each question or part question.

Answer **three** questions in total.

### Section A

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

- 1 Globalisation has resulted in rising incomes and technological advancement in many countries.

Discuss how the combination of these recent developments might affect the revenue earned from the sales of different types of goods and services. [25]

- 2 (a) Explain why some markets tend towards oligopoly. [10]

(b) Discuss the strategies used by oligopolistic firms to increase profits and the effects of these strategies on society. [15]

- 3 In 2012, the Singapore government announced the provision of a subsidy of \$1.1 billion to increase bus capacity and bus service levels under the Bus Service Enhancement Programme. Public Utilities Board has also recently announced its plans to work on about 170 drainage improvement projects island-wide using government allocated funds.

Discuss whether the use of government funds in the above cases is justified. [25]

### Section B

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

- 4 As the world economies recover from the economic slowdown in recent years, it is expected that central banks are likely to raise interest rates.

(a) Explain the possible consequences of a high growth rate on an economy. [10]

(b) Discuss the extent to which a rise in worldwide interest rates would impact the economic growth of the Singapore economy. [15]

- 5 (a) Explain the causes of a current account deficit in an economy. [10]

(b) Discuss the extent to which trade-offs between macroeconomic objectives may arise as a result of policies used to reduce a current account deficit in an economy. [15]

- 6 Discuss whether globalisation would help a country achieve its macroeconomic goals and a higher standard of living. [25]