

Suggested Answers for 2014 H2 Prelims (9732/01) - Case Study 1

(a)	Compare the change in total enrolment in childcare centres between 2009 and 2012 with the change in average full-day fees over the same period.	[2]
	Both the total enrolment and average full-day fees in childcare centres increased between 2009 and 2012. However, the increase in total enrolment was <u>2.4 times</u> the increase in average full-day fees.	
(b)	What can you conclude from the evidence in Extract 3 about the price elasticity of demand for childcare in UK?	[2]
	Extract 3 opined the reduction in costs of providing childcare will increase revenue. Reduction in costs increases supply causing a fall in price of childcare services. [1m] This would mean that the demand for childcare services in UK is relatively <u>price elastic</u> , such that a fall in price will lead to a more than proportionate increase in quantity demanded of preschool education. The rise in revenue due to a rise in quantity outweighed by the fall in revenue due to a fall in price causing revenue to rise. [1m] [Both 'blue' segments needed to get the one mark for explanation]	
(c)	(i) Explain the likely value of the price elasticity of supply for early childhood education services in Singapore.	[2]
	Supply is likely to be <u>price inelastic</u> since producers are likely to <u>increase quantity supplied</u> by a <u>less than proportionate amount</u> in response <u>to an increase in price of early childhood education services</u> , ceteris paribus [1m] <u>as it takes time for suitable sites to be sourced and for teachers to be trained</u> (Extract 1).	
	(ii) Explain the likely impact of the events in Extract 1 on the market for early childhood education services in Singapore.	[6]
	Increase in DD → "demand for early childhood education services has almost doubled" Increase in SS → "introducing more competition" PES<1 → "hard to expand because of the lack of suitable sites and trained teachers"	

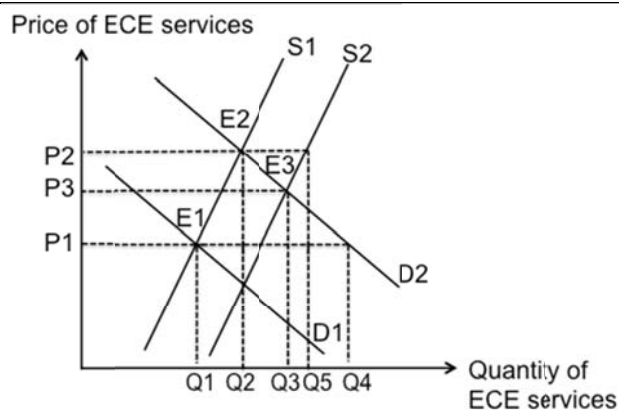
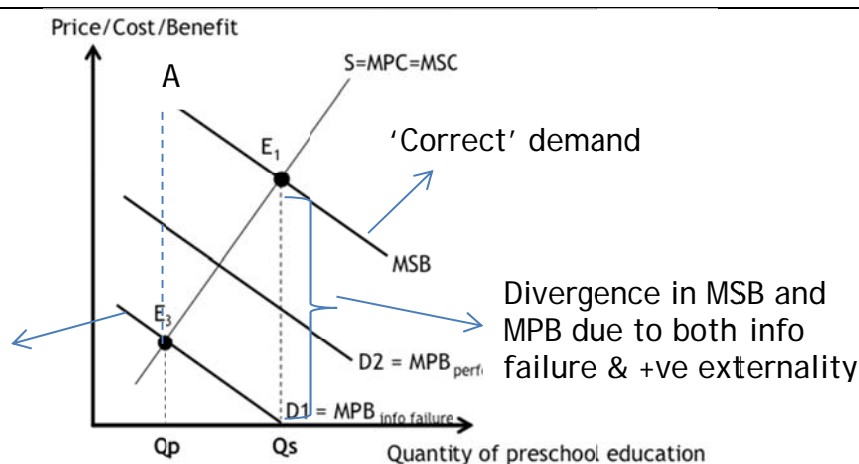


Figure 1

As the increase in demand is likely to be larger than the increase in supply due to more working parents enrolling their children in preschools (Extract 1), the overall impact on the market for ECE services is an increase in price and increase in quantity.

L3	Uses the evidence provided to explain the likely demand and supply impact of the events on the ECE services in Singapore and indicates what is likely to be the overall impact.	5-6
L2	Uses the evidence provided to explain the demand or supply impact of the events on the ECE services in Singapore	3-4
L1	Makes some comment on likely impact of the events on ECE services in Singapore, but without reference to the data.	1-2
(d)	Using economic analysis, evaluate the appropriateness of government offering preschool education free to address the market failure in Extract 4.	[8]
<p>The market failure in preschool education is a result of preschool education being a merit good.</p> <p>As mentioned in extract 4, parents underestimate the private benefits of ECE (“improve children’s readiness for school and life in future”.) + ignore the +ve externality (“early childhood contributes to creating the kinds of workforces needed in the twenty-first century which bolsters economic growth”)</p> <p>This therefore leads to a divergence in the benefit curves, with MSB being greater than MPB at all output levels.</p>		

'Registered' demand



With reference to Figure 2, the market equilibrium occurs at the point where $MPB_{\text{info failure}} = MPC$, and Q_p units of preschool education are produced and consumed. The socially desirable level of output, however, occurs at Q_s where $MSB = MSC$. As a result, there is an underproduction and under-consumption of preschool education. This leads to a deadweight loss of area AE_1E_3 due to under-allocation of resources to the market for preschool education as the total social benefit of Q_p units is more than the total social cost of these units.

Explain & evaluate why providing preschool education for free is an appropriate policy.

→ correct the underproduction and underconsumption. Greater equity → the lower income group would have greater access to preschool education, and thus, this reduces inequity in resource allocation.

Evaluation : Concern with resultant quality of preschool education. As there would be lesser or even no competition in the market, there would be no incentive for firms to improve the quality of preschool education. As such, the quality of preschool education might be affected. This is supported in Extract 1 which highlights that introducing more competition among the big-players would make the good-quality programmes more accessible to the masses, as well as allow for "greater diversity and more choices for parents".

Level	Level Marking Scheme	Marks
L3	Candidate demonstrates their ability to analyze and evaluate the effectiveness of free provision in context of case materials.	7-8
L2	Candidates accurately analyze the effects of free provision with the use of Economic tools. However, no evaluative comments are demonstrated.	4-6
L1	Candidates makes some relevant comments but without any appropriate analysis.	1-3

(e) Discuss the policy options available to the Singapore government to keep childcare prices down and improve the quality of its early childhood

[10]

	education.																					
	<table><tr><th>Level</th><th>Knowledge, Application, Understanding & Analysis</th><th>Marks</th></tr><tr><td>L2</td><td>Explain 3 policies with due reference to relevant economic concepts and appropriate analytical framework</td><td>4-8</td></tr><tr><td>L1</td><td>Explanation of any 2 policies but the answer will be very closely link to the text and will make limited or only very superficial reference to the tools of economic analysis.</td><td>1-3</td></tr><tr><td colspan="2">Up to 4 additional marks for evaluation</td><td></td></tr><tr><td>E2</td><td>Application of relevant economic concepts to make judgement about the relative impact on 3 chosen policies based upon the case materials</td><td>3-4</td></tr><tr><td>E1</td><td>For comparative comment but the application of economic concepts will be superficial .</td><td>1-2</td></tr></table>			Level	Knowledge, Application, Understanding & Analysis	Marks	L2	Explain 3 policies with due reference to relevant economic concepts and appropriate analytical framework	4-8	L1	Explanation of any 2 policies but the answer will be very closely link to the text and will make limited or only very superficial reference to the tools of economic analysis.	1-3	Up to 4 additional marks for evaluation			E2	Application of relevant economic concepts to make judgement about the relative impact on 3 chosen policies based upon the case materials	3-4	E1	For comparative comment but the application of economic concepts will be superficial .	1-2	
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