

VICTORIA JUNIOR COLLEGE
2014 JC2 PRELIMINARY EXAM

H2 ECONOMICS – PAPER NO. 9732/02

4 September 2014

8:00 – 10:15 am

Thursday

2 hours 15 mins

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 diagram, 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 FRESH piece of paper.

At the end of the examination, fasten your work securely, by question, using the strings provided.

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

This document consists of **3** printed pages.

Answer **three** questions in total

Section A

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

1. The Spanish government, which is struggling to cut one of the Eurozone's largest public deficits during a recession, has raised taxes on tobacco.

Source: <http://www.eurocare.org>, 26 June 2013, accessed on 25 August 2014

- a) Explain why an increase in indirect tax on a good like tobacco tends to cause consumers to suffer more than producers. [10]
 - b) Discuss how the combination of a recession and increases in indirect taxation might affect the markets for different goods. [15]

- a) Explain the sources of market power. [10]
 - b) Discuss the extent to which market power determines a firm's pricing decision. [15]

3. The Singapore government uses the Certificate of Entitlement (COE) system, the electronic road pricing (ERP) system and the improvement of the public transport system to address the problem of traffic congestion.

Explain and evaluate the Singapore government's policies for reducing traffic congestion. [25]

Section B

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

4. a) Explain the causes of disequilibrium in the balance of payments. [10]
 b) Do you agree that the Singapore government's focus should always be to correct a balance of payments deficit? [15]

5. Although the US economy started to recover in June 2009, by the end of 2012, its unemployment rate had dropped by 1.7 percentage points only, to 7.8 percent.
 Source: US Bureau of Labour Statistics
 a) With reference to the circular flow of national income, explain how monetary policy could reduce unemployment. [10]
 b) Discuss whether monetary policy is the most effective way to reduce unemployment in USA. [15]

6. Nations benefit from markets becoming more integrated because of globalisation.
 Comment. [25]

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