



INNOVA JUNIOR COLLEGE
JC 2 PRELIMINARY EXAMINATION 2
in preparation for General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/02

Paper 2: Essay Questions

23 September 2014

2 hours 15 minutes

Additional Materials: Writing Paper and Cover Page

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/tape.

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.
You are advised to spend several minutes reading through the data before you begin writing your answers.

You are reminded of the need for good English and clear presentation in your answers.

This document consists of **3** printed pages and **1** blank page.



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Answer **three** questions in total.

Section A

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

- 1** The world economy experienced subdued growth for a second year in 2013. In addition, a rising number of low cost airlines exited due to high fuel costs. These have impacts on both national carriers and low cost airlines.

Explain how the above changes will affect the world market for air travel and assess the usefulness of elasticity concepts in determining the likely impact on different types of airline carriers. [25]

- 2** As the growth of online shopping continue, shoppers are focused on purchasing electronics, books, music, apparel and sporting goods. On the other hand, the markets for food and beverages, supermarkets, luxury fashion and healthcare tend to be less affected by the shift towards online retail and continue to perform well.

(a) Explain how economies of scale determine the type of market structure in different industries. [10]

(b) Discuss how far the market structure of the firms in different retail industries will affect their profitability when faced with the growth in online shopping. [15]

- 3** As more countries are facing economic difficulties and an ageing population, some governments have sought to increase competition within the healthcare sector to reduce its cost while others are reducing subsidies to prevent their healthcare spending from escalating.

Discuss the economic case for the different approaches mentioned above. [25]

Section B

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

- 4** In 2012, the Singapore government announced enhancements in measures to improve labour productivity and increase general living standards in Singapore. More grants were given to SMEs to invest in its workers and its operations.
- (a)** Explain the main macroeconomic indicators that can be used to compare changes in living standards across countries. [10]
 - (b)** Assess the extent to which an improvement in labour productivity is beneficial to the standard of living in Singapore. [15]
- 5** With the use of fiscal policy to reduce cyclical fluctuations, some economies like the USA, have been improving steadily despite facing fiscal drag.
- (a)** Explain why governments aim to reduce cyclical fluctuations. [10]
 - (b)** Discuss the extent to which fiscal drag limits the effectiveness of using fiscal policy in managing cyclical fluctuations in an economy. [15]
- 6** Discuss the view that signing more free trade agreements is the best approach to sustained economic performance in an economy. [25]

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