

VICTORIA JUNIOR COLLEGE
2015 JC2 PRELIMINARY EXAM

H2 ECONOMICS – PAPER NO. 9732/02

3 September 2015

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. In the developed world, the trend away from direct tax towards indirect tax has been hastened by the global financial crisis.
<http://www.taxation.co.uk/taxation/Articles/2011/06/03/25122/shift-indirect-taxes-rise-globally>
 Accessed on 24th August 2015

 Discuss the combined effect of increases in indirect taxes and decreases in personal income tax on consumers in different markets. [25]

2. Starbucks Coffee Company today announced it is opening its first store in Brunei – the company’s 64th global market – and its 100th store in Singapore, which will give people with autism the opportunity for meaningful employment and new lifelong skills.
<http://www.marketwatch.com/story/starbucks-southeast-asia-growth-momentum-continues-with-significant-milestones-in-brunei-and-singapore-2014-02-14> Accessed on 2nd August 2015
 - (a) Explain how globalisation could increase a firm’s profits. [10]
 - (b) Discuss whether price competition should be the primary business strategy for a coffee café chain like Starbucks in Singapore. [15]

3. Governments often subsidise training programmes and intervene in markets where there is possible abuse of market power.
 - (a) Explain why immobility of factors of production and market dominance may lead to market failure. [10]
 - (b) Evaluate current policies adopted by the Singapore government to correct for these types of market failure. [15]

Section B

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

4. "A current account deficit has a more adverse impact on the economy than a capital account deficit". Discuss. [25]
5. Unlike most other countries, Singapore has adopted the use of the exchange rate rather than the interest rate as the instrument of monetary policy.
- (a) Explain the key factors that may limit the effectiveness of interest rate policy for an economy. [10]
- (b) Discuss the extent to which conflicts in macroeconomic objectives may arise for Singapore when it adopts exchange rate policy. [15]
6. (a) Explain the possible challenges that can arise from a country's openness to trade with the rest of the world. [10]
- (b) Assess the appropriateness of using protectionism to help a small country tackle those challenges relative to a large country. [15]

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