



**CANDIDATE
NAME**

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CT GROUP

14

**CENTRE
NUMBER**

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**INDEX
NUMBER**

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ECONOMICS
Paper 2 ESSAY

9732/02
15 September 2015
2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your **name, CT group, Centre and Index numbers** clearly in the spaces at the top of this page and on every page 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 and 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.

Begin each question on a fresh sheet of writing paper.

At the end of the examination, fasten the answer sheets to each essay question separately together with the 3 cover pages provided.

If you only attempt 2 essays, please submit a nil return with the 3rd cover page, indicating the possible essay question you would have attempted. If you only attempt 1 essay, please submit 2 nil returns with the other 2 cover pages, indicating the possible essay questions you would have attempted.

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 questions 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 **2** printed pages.

[Turn over

Answer **three** questions in total.

Section A

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

- 1 In 2013, the Pollution Standards Index (PSI) in Singapore hit a record high. It was reported that there was a shortage of face masks used to protect individuals from the harmful effects of the haze.
 - (a) Explain the likely reasons for the shortage of face masks and the role of price mechanism in correcting the shortage. [10]
 - (b) Discuss whether it is justified for the Singapore government to distribute free face masks to households during a haze. [15]
- 2 The government collects revenue from sale of Certificates of Entitlement (COEs). There have been large increases in the COE prices for cars in Singapore over the past few years.
Discuss the likely effects of higher COE prices on government revenue and expenditure by consumers on different types of cars. [25]
- 3 In recent years, natural calamities such as floods and earthquakes have caused the cost of raw materials to rise.
 - (a) Distinguish between variable costs and fixed costs and explain whether a rise in these costs will affect a firm's pricing decision differently. [10]
 - (b) Discuss the extent to which a rise in cost of raw materials will result in an oligopolistic firm changing its price in reality. [15]

Section B

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

- 4 (a) Explain what might cause a current account deficit in the balance of payment. [10]
 (b) When faced with a deteriorating trade balance, some countries turn to protectionism. However, countries like Singapore do not engage in protectionism. Discuss why governments use different policies to achieve healthy trade balance. [15]
- 5 (a) Using the concepts of scarcity and opportunity cost, explain why governments are often concerned with high levels of unemployment. [10]
 (b) High youth unemployment rates are increasingly a problem in many parts of the world. Weak economy, too many graduates and the lack of suitable jobs created are often cited as the culprits. Assess the relative importance of the various reasons for youth unemployment in different countries. [15]
- 6 Discuss the extent to which economic growth of countries depend more on government policies than the amount of natural resources they possess. [25]

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