



ST ANDREW'S JUNIOR COLLEGE  
PRELIMINARY EXAMINATION – 2016  
General Certificate of Education Advanced Level  
Higher 2

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**ECONOMICS**

**9732/02**

Paper 2

**14 September 2016**

**2 hours 15 minutes**

Additional Materials:      Answer Paper

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**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 an HB pencil for any diagrams, 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.

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.



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

**[Turn Over**

Answer **three** questions in total.

### Section A

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

- 1** Electricity prices have been fluctuating. It has been observed, since early 2015, that there is a downward trend of electricity prices due to the fall in oil prices

Discuss the different demand and supply factors and their likely importance [25]  
in determining the observed changes in electricity prices in Singapore.

- 2** The Cheaptickets and Orbitz are online firms which give 'Members Only' deals on hotels users who are logged-in.

Adapted from [www.dailymail.co.uk](http://www.dailymail.co.uk)

**(a)** Explain the conditions for price discrimination and the possible [10]  
motivations for the above firms to do so.

**(b)** With price discrimination, society tends to suffer. To what extent do [15]  
you agree?

- 3 (a)** Explain how the concepts of incremental benefits and costs are used [10]  
in decision-making by consumers and producers to maximise self-interest.

**(b)** Discuss the factors that determine the effectiveness of government [15]  
policies in bringing about an efficient allocation of resources in the market for goods and services.

**Section B**

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

- 4 (a)** Explain how the concept of elasticities can determine the effectiveness of policies implemented by a government to achieve its macroeconomic goals. [10]
- (b)** Discuss whether the policies implemented by a government, in a bid to achieve its macroeconomic goals, would always lead to a conflict with its microeconomic goals. [15]
- 5** “Falling prices dragged on growth prospects in the advanced world, especially in the Eurozone. Deflation is dangerous in European countries—most of which are highly indebted—as they increase the real values of fiscal debt burdens, while encouraging firms and consumers to delay their spending.”
- Adapted from: The Telegraph, 2014
- (a)** Explain why a government in the Eurozone should be concerned about deflation. [10]
- (b)** Discuss the effects of the deflation in the Eurozone on the standard of living in Singapore. [15]
- 6** Explain why an economy’s comparative advantage might change over time and discuss the benefits and costs brought about by globalisation to the Singapore economy. [25]

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