

ANGLO-CHINESE JUNIOR COLLEGE
2016 JC2 PRELIMINARY EXAMINATIONS



ECONOMICS

9732/02

Higher 2

25 August 2016

Paper 2: Essay Questions

2 hours 15 minutes

Additional materials: Writing paper

READ THESE INSTRUCTIONS FIRST

Write your index number and name 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.

Begin each question on a **fresh** sheet of paper.

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 pages.

Please check that your question paper is complete.

Answer **three** questions in total.

Section A

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

1. Crude oil can now be extracted out of the ground at a lower cost of production. In addition, global economic activity has been contracting as a result of the slowdown in China's economy. This has resulted in crude oil prices falling by more than 50% in the second half of 2014.
 - (a) Explain the likely effects of cheaper crude oil on the market for natural gas and the market for refined oil. [10]
 - (b) Discuss the relative significance of demand and supply factors in determining whether a fall in price of crude oil will be persistent. [15]

2. Singapore's new satellite-based electronic road-pricing (ERP) system will have island-wide coverage and the ability to charge for distance travelled by different types of vehicles.

Assess the view that a system of road-pricing is the best way to tackle the problem of worsening traffic congestion in Singapore. [25]

3. Successful firms are able to identify the growing trends of new shopper segments and use new technologies to provide an engaging and seamless shopping experience, in both online and offline spaces.

Nielsen Insights, 29th April 2015

 - (a) Explain how technological advancement may improve profits of firms. [10]
 - (b) In light of technological advancement, discuss whether more markets are likely to be oligopolistic. [15]

Section B

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

4. Household savings in 2014 as a proportion of the country's GDP was 24% for Singapore and 4.8% for USA.

OECD Economic Outlook 2014

Assess the economic case for raising household savings in a country. [25]

5. (a) Explain why low unemployment is one of the macroeconomic objectives for Singapore. [10]

- (b) Assess whether the policies adopted by the Singapore government to maintain low rate of unemployment remain relevant in view of the challenges faced by the economy. [15]

6. (a) Explain what might cause a deficit on a country's balance of payment on current account to worsen. [10]

- (b) Discuss whether currency depreciation or reducing government spending is a more effective policy for a country faced with worsening current account. [15]