



HWA CHONG INSTITUTION
JC2 Preliminary Examinations
Higher 2

**CANDIDATE
NAME**

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CT GROUP

15

**CENTRE
NUMBER**

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**INDEX
NUMBER**

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ECONOMICS
Paper 2 ESSAY

9732/02
15 September 2016
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 (a) Explain how free trade helps to alleviate the problem of scarcity. [10]
 (b) In the recent decades, technological advancement has helped to promote the spread of information and economic integration has facilitated labour migration.
 Discuss the extent to which the above events could help to reduce resource misallocation arising from imperfect information and immobility of factors of production. [15]
- 2 In recent years, the price of natural fertilisers for organic brown rice production has risen and healthy living campaigns are seeing more consumers switching from non-organic white rice to organic brown rice.
 Assess the relevance of elasticities of demand and supply in understanding the impact on the expenditure by consumers on non-organic white rice and organic brown rice. [25]
- 3 There are five movie theatre operators in Singapore and they are making efforts to protect their profits in view of rising competition from online movie streaming services.
 (a) Compare the barriers to entry of movie theatre industry and online movie streaming industry. [10]
 (b) Discuss the likely impact on profit of a movie theatre operator when faced with competition from online movie streaming services. [15]

Section B

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

- 4 (a) Explain how the relative importance of the components of the circular flow of income for a small and open economy might be different from a large and less open economy. [10]
 (b) Assess the usefulness of the components of the circular flow of income to compare different countries' standard of living. [15]
- 5 Discuss whether the use of various policies by governments will inevitably lead to conflicts in macroeconomic objectives. [25]
- 6 Some countries like China use interest rates while others like Singapore choose exchange rates as their instrument for monetary policy.
 (a) Explain how consumers, producers and government of a country could be affected by the appreciation of its own currency. [10]
 (b) Discuss why governments use different instruments of monetary policy to control the rate of inflation. [15]

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