

Answer **three** questions in total.

### Section A

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

- 1 Rationality in decision making is linked to making choices which involves opportunity cost.
- (a) Explain the relevance of opportunity cost to consumers and firms in making rational decisions. [10]
- (b) Discuss whether opportunity cost is the most important factor governments should consider when deciding to intervene in the markets for goods and services and on the corresponding choice of policy measures. [15]
- 2 The use of drones for aerial photography and racing are growing in popularity among the wider public. According to an industry report, in the next five years, global consumer drone sales volume is expected to increase more than tenfold, while average selling price for drones will continue to decline sharply.

Source: *Dronelife*, accessed 8 August 2017

Discuss the different demand and supply factors and their likely importance in determining the anticipated changes in sales volume and price of consumer drones. [25]

- 3 Major airlines form alliances and charge passengers different airfares depending on when the booking is made and additional fees for extra baggage.
- (a) Explain whether the above mentioned pricing strategies are examples of price discrimination. [10]
- (b) Discuss the likely impact on profitability when firms decide to use alternative pricing strategies in an oligopolistic market. [15]

### Section B

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

- 4 (a) Using the circular flow of income, explain how an increase in government spending can lead to a bigger change in national income. [10]
- (b) In 2015, Singapore's GDP at 2010 prices grew by 2%, the total population grew by 1.2%, inflation (as measured by the consumer price index) was – 0.5% and overall unemployment stood at 1.9%.

Source: Yearbook of Statistics Singapore, 2016

Discuss how far the government can use these statistics to conclude if there is an improvement in the standard of living in Singapore. [15]

- 5 In 2010, the Economic Strategies Committee recommended that Singapore focus on productivity-driven growth. While productivity rose initially, productivity growth was negative in 2014 and 2015. In response, the Singapore budget 2015 has extended the existing policies to drive productivity growth such as the Productivity and Innovation Credit (PIC) scheme.

Discuss the extent to which Singapore should depend on its productivity drive to achieve its macroeconomic aims. [25]

- 6 (a) Explain why an economy's pattern of trade might change over time. [10]
- (b) Discuss whether globalisation is more likely to have a larger impact on unemployment in a small and open economy than a large and less open economy. [15]