



**JURONG JUNIOR COLLEGE  
PRELIMINARY EXAMINATION 2017**

**ECONOMICS**

**Higher 2**

**9757/02**

**Paper 2**

11 September 2017

**2 hours 15 minutes**

**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 a soft 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.

**Start each essay answer on a fresh sheet of writing paper and indicate questions attempted clearly on answer sheet.**

**Fill in the necessary information on the cover sheet.**

At the end of the examination, fasten all your work securely **with the cover sheet at the top**.  
The number of marks is given in brackets [ ] at the end of each question or part question.

Answer **three** questions in total.

**Section A**

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

- 1 Crude oil is an important commodity that is used to generate electricity, produce gasoline and other petroleum products used for industrial production. Oil prices have fallen from a peak of over \$110 per barrel in 2014 to below \$40 per barrel in 2015.

Using examples from various industries, discuss why prices of oil-related products fall to a different extent when there is a fall in the price of crude oil. [25]

- 2 Microsoft Corporation reported a 27.8% increase in sales the last quarter of 2016 with the release of the new Office 2016 edition. It was reported that a purchase of a single copy of Office 2016 costs \$229 for students and \$349 for home users. Meanwhile, Office Professional 2016 which is targeted at business users includes additional access to Outlook and Publisher and cost \$619.

Source: *Microsoft, 2016*

- (a) Explain whether the above pricing policies by Microsoft Corporation could be considered as price discrimination. [10]
- (b) Using examples, discuss whether a lack of contestability in an industry is desirable for society. [15]
- 3 When consumers lack accurate or complete information about different goods and services, they often end up making decisions that are less than optimal.
- (a) Explain how market failure arises in markets for different goods and services due to information failure. [10]
- (b) Discuss the measures adopted by private agents and the government in solving market failure due to asymmetric information. [15]

**Section B**

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

- 4 A Chinese mining company, together with a Myanmar conglomerate, will be operating a mega copper production at a site in Letpadaung in Central Myanmar. The mine is one of several Chinese-operated mega mining projects under way in Myanmar that have come under fire from locals because of environmental damage and forced farmland takeovers by officials.
- (a) Explain the limitations when using economic indicators to compare the economic performance of different countries. [10]
- (b) Discuss the considerations that are likely to influence the decision of the Myanmar government when approving foreign direct investment in mega mining projects. [15]
- 5 Discuss the view that potential trade-offs are the main reason why governments need to implement a mix of policies in order to achieve their macroeconomic aims in their economies. [25]
- 6 While many will argue that globalisation benefits all countries, there are nevertheless some nations that have done better than the rest.

Source: <http://www.livemint.com>, 20 January 2017

- (a) Explain possible reasons that could cause a country to lose its comparative advantage in certain industries over time. [10]
- (b) Discuss whether globalisation brings more benefits than costs to different countries. [15]

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