



**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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