



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOURTH YEAR SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS

EAE 404: ECONOMICS OF PUBLIC ENTERPRISES

DATE: 26/7/2019

TIME: 11:00 – 1:00 PM

INSTRUCTIONS:

- i) **This examination consists of FIVE questions**
- ii) **Answer question ONE (COMPULSORY) and any other TWO Questions**

QUESTION ONE (COMPULSORY) (30MARKS)

- a) What is cost-benefit analysis? (10 marks)
- b) “A public enterprise performance can be evaluated based on profitability.” However, some of them incur heavy losses. Explain the reasons that may cause public sector losses. (10 marks)
- c) Outline five sources of finance for public enterprises (10 marks)

QUESTION TWO (20MARKS)

- a) Explain the reasons for public enterprise reforms (8 marks)
- b) Explain five (5) pricing policies that are used by public enterprises (12 marks)

QUESTION THREE (20MARKS)

- a) State and explain any five challenges faced by public enterprises in Kenya (10 marks)
- b) Public enterprises can be evaluated using various criteria. Explain any five criteria that have been used in Kenya. (10 marks)

QUESTION FOUR (20MARKS)

- a) State two micro and three macro reasons for the reforms of public enterprises. (5 marks)
- b) Using examples explain the following strategies of public enterprises reforms
 - i) Restructuring (5 marks)
 - ii) Privatization (5 marks)
 - iii) Public-private partnership (5 marks)

QUESTION FIVE (20MARKS)

- a) Discuss any five rationale for the establishment of public enterprises in a country. (10 marks)
- b) Public enterprises often lead to development inertia. Discuss (10 marks)