MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS

EAE 404: ECONOMICS OF PUBLIC ENTERPRISES

DATE: 9/5/2019 **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) (30 MARKS)

a) State two micro and three macro reasons for the reforms of public enterprises. (10 marks)

b) Using examples explain the following strategies of public enterprises reforms

i. Restructuring (6 marks)

ii. Privatization (7 marks)

iii. Public-private partnership (7 marks)

QUESTION TWO (20 MARKS)

a) What is cost-benefit analysis? (4 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. (6 marks)

c) Outline five sources of finance for public enterprises (10 marks)

QUESTION THREE (20 MARKS)

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 FOUR (20 MARKS)

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)

QUESTION FIVE (20 MARKS)

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)