



# 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:

TIME:

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## INSTRUCTIONS

1. This examination consists of FIVE questions
2. Answer question ONE (COMPULSORY) and any other TWO Questions

### QUESTION ONE (30 MARKS)

- 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) 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 THREE (20MARKS)

- a) State two micro and three macro reasons for the reforms of public enterprises. (5 marks)

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 FOUR (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 FIVE (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)