MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

EAE 404: ECONOMICS OF PUBLIC ENTERPRISES

DATE: 19/12/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer question one and any other two

QUESTION ONE (COMPULSORY) (30 MARKS)

a) For a natural monopoly public enterprise with a decreasing cost of production explain the following pricing rules

i) Marginal costing (4 marks)

ii) Average costing (4 marks)

iii) Two part pricing (4 marks)

b) Explain the reason for marginal costing in (1) above how the enterprise operates if it is not able to meet its operation costs (5 marks)

c) What is the justification at two-part pricing (5 marks)

d) Discuss how elasticity is used to determine the prices adopted by public enterprises (8marks)

QUESTION TWO (20 MARKS)

a) Explain how political interference can or has affected the performance of public enterprises (10 marks)

b) Discuss the three reform strategies that the government can use to strengthen and improve the performance of public enterprises (10 marks)

QUESTION THREE (20 MARKS)

a) Efficiency is an important indicator of public enterprises. Discuss the five levels of efficiency used to evaluate the performance of public enterprises. (10 marks)

b) What is the current government doing to enhance the efficiency of public enterprises? (10 marks)

QUESTION FOUR (20 MARKS)

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

b) Giving 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 (20 MARKS)

a) Performance of public enterprises can be evaluated using various criteria. Discuss how the following criteria can be applied.

i) Industrialization (3 marks)
ii) Budgetary support (3 marks)
iii) Regional balancing (3 marks)
iv) National income (3 marks)
v) Capitalization (3 marks)

b) State any five problems facing public enterprises (5 marks)