

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE**

**AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2018/2019**

**YEAR THREE SEMESTER TWO EXAMINATION FOR THE DEGREE OF BACHELOR OF PUBLIC ADMINISTRATION AND LEADERSHIP**

**HPG 2305: PUBLIC SECTOR ECONOMICS**

**DATE: AUGUST 2019 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO**

**QUESTIONS**

**QUESTION ONE (30 MARKS)**

a) Distinguish between microeconomics and macroeconomics (6 marks)

b) Explain the characteristics of a perfect market (6 marks)

c) Differentiate between Gross National Product (GNP) and Gross Domestic Product (GDP)

2 marks)

d) Discuss the determinants on investment (12 marks)

e) Outline and explain why businessmen demand for money (6 marks)

**QUESTION TWO (20 MARKS)**

a) Differentiate between public goods and private goods (10 marks)

b) With the aid of a diagram, show the difference between point elasticity and arc elasticity

(4 marks)

c) Explain the uses of National Income Statistics (6 marks)

**QUESTION THREE (20 MARKS)**

a) Explain the methods used by the Central Bank to regulate control of the money supply (10 marks)

b) Explain the advantages of financial institutions in an economy (10 marks)

**QUESTION FOUR (20 MARKS)**

a) Explain the various stages in business cycle (10 marks)

b) A hypothetical data for a certain country is given as follows:

C Y

115 100

160 160

190 200

265 300

Required:

i) Given that the consumption function is given by C = a+cy calculate the values of a and c.

(4 marks)

ii) From the value (i) above express the saving function.