

CHUKA



UNIVERSITY

SUPPLEMENTARY/ SPECIAL EXAMINATIONS
**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF ARTS IN ECONOMICS**
ECON 325: ECONOMICS OF TRANSPORT AND INFRASTRUCTURE
STREAMS:**TIME: 2 HOURS****DAY/DATE: MONDAY 01/02/2021****2.30 PM – 4.30 PM****INSTRUCTIONS:****Answer Questions One And Any Other Two Questions****QUESTION ONE (30 MARKS)**(a) Explain why transport service demand is a derived demand. **(5marks)**

b) Consider the data below for 2 transport companies

	Fare (Ksh.)		No. of passengers making whole trip	
	<i>Kensilver</i>	<i>Genesis</i>	<i>Kensilver</i>	<i>Genesis</i>
Before fare change	80	110	200	500
After fare change	60	110	300	350
% total change	25%	0	50%	30%

Calculate the cross elasticity of demand for this market. (5marks)

(d) An investor in Matatu transport sector asks your advice on the choice between two projects A&B. Project A requires an initial outlay of Kshs 9,000,000 and is expected to yield a return of Kshs.11,000,000 in three years. Project B requires an initial outlay of Kshs.400,000 and will yield a return of Kshs. 520,000 in three years from now. Which one of these two projects will you recommend for the investor if the market rate of interest is 3%?

Apply

(i) NPV Approach **(5marks)**(ii) IRR Approach **(5marks)**

(c) Explain 5 elements used in cost/revenue analysis of public transport schemes.(5marks)

d) Explain five determinants of supply of transport services (5marks)

QUESTION TWO (20 MARKS)

a) Explain 5 ways in which a train operator can improve the quality of service. (10marks)

Explain 5 reasons why peak problem is particularly bad in transport. (10marks)

QUESTION THREE (20 MARKS)

(a) A bus company offers you a job as their manager. Once you take up the job, you realise that there is too much cost which need to be cut down. Propose to the board 5 ways in which cost can be saved. (10marks)

(b) Differentiate between cost revenue analysis and cost benefit analysis. (5marks)

QUESTION FOUR (20 MARKS)

(a) The government of Kenya wants to make the Mombasa-Nairobi road a super highway by expanding it into 3 lane road. Identify 3 social cost and 3 social benefits and attach a shadow price to each. (12marks)

(b) Evaluate the solutions to traffic problems in a city like Nairobi. (8marks)

QUESTION FIVE (20 MARKS)

(a) Explain 5 reasons why Thika super highway was constructed. (10marks)

b) "Less Developed Countries have to put considerable dependence on transport investment". Discuss. (10marks)
