



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE (ECONOMICS;
FINANCIAL ECONOMICS; ECONOMICS AND
STATISTICS)**

COURSE CODE: ECO 3207-1

COURSE TITLE: DEVELOPMENT PLANNING

DATE: 18/4/2023

TIME: 1100-1300 HRS

INSTRUCTIONS TO CANDIDATES

1. Answer Question **ONE** and any other **TWO** questions

This paper consists of 3 printed pages. Please turn over.

QUESTION ONE

- (a) A hypothetical economy has got a buying and selling sectors. The industry-specific sectoral input demands and outputs are summarized in a Leontief Input-Output table below

		Purchasing Sectors (in Kenya Shillings)				Total
		1 Inputs to Agriculture	2 Inputs to Manufacturing	3 Inputs to Services	4 Final Demand	
Selling Sectors	Agriculture	30	40	0	30	100
	Manufacturing	10	200	50	140	400
	Services	20	80	200	200	500
	Other Sources	40	80	250	230	600
Total Cost		100	400	500	600	1600

- (i) Give any three (3) limitations of the Leontief Input-Output model in planning. (6 marks)
- (ii) Compute the technical coefficients for the input-output table. (5 marks)
- (iii) Interpret the technical coefficients for the “Inputs to Services” column (Column 3) (3 marks)
- (b) State and explain any three (3) cannons of a planning strategy. (6 marks)

QUESTION TWO

- a) The secret of successful planning lies more in sensible politics and good public administration. Discuss with reference to Vision 2030 and achievement of its targets as outlined in Economic Pillar. (10 Marks)
- b) Does a good development policy guarantee achievement of the objectives of development plan? Explain your answer (5 Marks)

QUESTION THREE

- (a) The Kenya Ferry Services (KFS) is contemplating purchasing a marine vessel named MV Hamiltonian. The vessel is not going to generate direct monetary benefits but a consultant has been asked to quantify the non-monetary benefits (the reduced risks of losing lives in the sea, the increased ease of conducting marine rescues, and reduced water pollution). Suppose that in the consultant’s opinion the following are the likely benefits of MV Hamiltonian:

Year	0	1	2	3	4	5
Quantified monetary benefits in Kenya Shillings '000'	(150,000)	65,000	43,000	35,000	28,000	19000

- (i) Using a required rate of return of 10 percent, what is the net present value (NPV) of the MV Hamiltonian project? (3 marks)
- (ii) Compute the internal rate of return (IRR) of the project (3 marks)
- (iii) Based on the NPV, should KFS pursue the project? Give a justification for your answer. (1 mark)

b) In the context of Kenya, explain any four problems that planners are likely to experience in planning. **(8 Marks)**

QUESTION FOUR

a) Discuss the concepts of Financial and Physical planning as used in development planning for a country such as Kenya. **(10 Marks)**

b) Differentiate between planning process and economic planning

(5 Marks)

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