K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,
Vidyavihar, Mumbai- 400077

Program: *PGDM –HCM (Batch2018-20), Trim I*
Subject: Fundamentals of Health Economics
(End Term Exam)

Maximum Marks: 50
Duration: 3 hours   **Date: 26/09/2018**

QUESTION I: Answer any Three from the following   15 Marks

a. "Firms operating in perfectly competitive industry should immediately exit from the market if they are making losses". Do you agree with the statement? Explain your answer.
b. What are the peculiar characteristics of Healthcare as a sector? What is the role of the government in regulating it?
c. Will the price elasticity of demand be larger or smaller for LG washing machine as compared to the washing machine as a product? Explain your answer.
d. Explain the factors which may affect demand for medical insurance.
e. What is a production function? How does a long-run production function differ from a short-run production function?

QUESTION II: Numerical problems (Any Three)   15 Marks

1. Investigating the demand for sports equipment in a country X, a researcher observed that the demand for sports equipment tends to rise by 2.5 % with one per cent decrease in the prices of equipment; with rise in one per cent of per capita GDP, the demand for sports equipment rises by 1.65% and when coaching classes prices increase by one per cent the demand for sport equipment fall by 0.95 %.
    a.   Identify the type of demand elasticity in this case and define them.
    b.   Which type of elasticity the sport equipment firm should consider significant for the business development.
    c.   How much rise in sales is expected, during a festival season by offering 20 % discount by sport equipment firm?

2.   Suppose that a competitive firm has a total cost function $TC = 450 + 15Q + 2Q^2$. If the market price is $P = Rs. 115$ per unit, find the level of output produced by the firm. Find the level of profit.

3.   Fill in the blanks in the following table.

Units of output	Fixed cost	Variable cost	Total cost	Marginal cost	Average fixed cost	Average variable cost	Average total cost
0			100				
1			125				
2			140				
3			150				
4			160				
5			180				
6			210				
7			250				
8			400				
9			600				
10			1000				

4.   Bombay Petrol Pump buys petrol at Rs. 89 per litre and sells at Rs. 97 per litre. Its weekly fixed costs are measured to be Rs. 1000. How many litres of petrol the firm has to sell to break-even point? How much it will have to sell if it decides to earn minimum profit of Rs. 10,000?

QUESTION III: Answer any Two of the following   **10 Marks**

a. Explain to which market structure following industry belong to along with their peculiar characteristics?

   1. Local Grocery stores

   2. Organized Retail Gyms

b. "Sometimes prices remain sticky in oligopoly" Do you agree with the statement? Explain.

c. Explain the difference between Sunk and Incremental cost with the help of an example. Which one of these is relevant cost? Why?

QUESTION IV: Answer any One of the following: 10 Marks

a. Explain the difference between Economies and Diseconomies of scale with the help of an example.

b. What do you understand by the concept of 'Price discrimination'? When can the firm exercise price discrimination? Give examples.

c. Write short notes on any tow:
   1. Implicit and Explicit cost

   2. Entry and exist barriers

   3. Price and non-price competition

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