

# Unit 4 - WEEK 3: Theories of Cost and Grossman's Demand for Healthcare

## Course outline

### How to access the portal

**Week 1:** Introduction, Consumer Behaviour, Demand and Supply

**WEEK 2:** Elasticities of Demand and Supply and Theories of Production.

**WEEK 3:** Theories of Cost and Grossman's Demand for Healthcare

- Lecture 15
- Lecture 16
- Lecture 17
- Lecture 18
- Lecture 19
- Lecture 20
- Lecture 21
- Quiz : Week 3 Assessment**
- Solution for assignment-3
- Feedback For Week 3

**WEEK4:** Market Imperfections, Healthcare Financing

**WEEK 5:** Health Insurance

**WEEK 6:** Impact Evaluation, Social Determinants of Health

**WEEK 7:** Economic Externalities, Public and Private Goods

**Week8:** Population, Health and Development

### Additional Reading Materials

Week 0

Correct solutions for reevaluated assignments

## Week 3 Assessment

The due date for submitting this assignment has passed.  
As per our records you have not submitted this assignment.

**Due on 2019-08-21, 23:59 IST.**

- 1) Break-even point is when **1 point**
- Loss is maximum
  - Profit is maximum
  - Normal profit
  - Total loss starts falling down

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
Normal profit

- 2) When the 'long-run average cost' curve starts to rise we refer to **1 point**
- economies of scale having set in
  - diseconomies of scale having set in
  - diminishing marginal returns to scale
  - none of the above

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
diseconomies of scale having set in

- 3) The marginal cost (MC) curve intersects the **1 point**
- ATC and AVC curves at their minimum points
  - AVC and AFC curves at their minimum points
  - ATC, AVC and AFC curves at their minimum points
  - ATC and AFC curves at their minimum points.

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
ATC and AVC curves at their minimum points

- 4) Example of marginal cost is **1 point**
- Rise in operating cost for recruiting one more nurse
  - Additional treatment cost for treating one extra patient
  - Higher out of pocket expenditure in private hospitals
  - All of the above

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
Additional treatment cost for treating one extra patient

- 5) When the income expansion path curves downwards towards the X-axis then Y is an inferior good and X would be a normal good **1 point**
- True
  - False

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
True

- 6) We will use multinomial discrete choice modeling if the dependent variable is **1 point**
- Insurance premium
  - C-section delivery or not
  - Underweight, normal or overweight
  - Weight at birth

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
Underweight, normal or overweight

- 7) Which one of the following is incorrect? **1 point**
- AFC is the vertical difference between ATC and AVC
  - Total cost is summation of fixed and variable cost
  - Long run average cost is also known as envelope cost
  - The firm's short-run marginal-cost curve is increasing when average fixed cost is also increasing

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
The firm's short-run marginal-cost curve is increasing when average fixed cost is also increasing

- 8) XYZ Pharmaceutical company wishes to make an annual profit of Rs. 100000 from the sale of one particular medicine. Details of manufacturing and annual capacity are as follows. What should be the per unit price? **1 point**
- |                        |            |
|------------------------|------------|
| Production capacity    | 10,000     |
| Fixed cost             | Rs. 30,000 |
| Variable cost per unit | Rs. 30     |

- 6
- 33
- 40
- 43

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
43

- 9) The firm's short-run marginal-cost curve is increasing when **1 point**
- marginal product is increasing
  - total fixed cost is increasing
  - marginal product is decreasing
  - average fixed cost is decreasing

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
marginal product is decreasing

- 10) In Grossman's model, an increase in education causes better health because **1 point**
- People endowed with higher levels of education are more efficient producers of health
  - A more knowledgeable person will choose a higher optimal stock of health than the less well-informed person
  - Moral hazard induces people to select low-paying jobs when the MEI schedule is inelastic
  - (i) and (ii)

No, the answer is incorrect.  
Score: 0

Accepted Answers:  
(i) and (ii)