

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
FOURTH YEAR EXAMINATION FOR BACHELOR OF PUBLIC
HEALTH
PUHE483: HEALTH ECONOMICS**

STREAMS: BPH Y4S2

TIME: 2 HOURS

DAY/DATE:

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INSTRUCTIONS

Do not write anything on the question paper. Mobile phones and any other reference materials are NOT allowed in the examination room.

The paper has three sections. Answer ALL questions in Sections I and II and ONE question in section III.

All your answers for Section I (MCQs) should be on one page.

Number ALL your answers and indicate the order of appearance in the space provided in the cover page of the examination answer booklet.

Write your answers legibly and use your time wisely.

SECTION I

(20 Marks)

1. The fundamental fact of scarcity in Economics implies that every decision involves:
 - a) unlimited time.
 - b) production costs.
 - c) limited wants.
 - d) opportunity costs.
2. If there is an external cost from making paper, an unregulated competitive market produces
 - a) less than the efficient quantity.
 - b) the efficient quantity.
 - c) more than the efficient quantity.
 - d) a quantity that could be greater than, the same as, or less than the efficient amount
3. When consumption of a good increases, marginal utility will

a) increase.

b) decrease.

c) remain unchanged.

d) approach total utility.

4. As the quantity of a goods consumed increases, its total utility_____.

a) increases.

b) decreases

c) remains constant

d) becomes cyclic

5. The market supply curve is derived by:

a) estimating the total costs for each potential level of output.

b) inverting (taking the mirror image of) the market demand curve.

c) horizontally summing individual supply curves.

d) averaging the responses of firms to a uniform government survey.

6. Increases in both the supply and demand for dental services will:

a) affect price in an indeterminate way and increase the quantity exchanged.

b) increase price and increase the quantity exchanged.

c) affect quantity in an indeterminate way while reducing the price.

d) decrease price and decrease the quantity exchanged

7. From 1970 to 1993, the price of the drug aspirin decreased. Which of the following could have caused an unambiguous decrease in the price of aspirin?

a) A shift to the right in the supply curve for aspirin and a shift to the right in the demand curve for aspirin.

b) A shift to the left in the supply curve for aspirin and a shift to the right in the demand curve for aspirin.

c) A shift to the left in the supply curve for aspirin and a shift to the left in the demand curve for aspirin.

d) A shift to the right in the supply curve for aspirin and a shift to the left in the demand curve for aspirin.

8. Characteristics of purely competitive markets do not include:

a) homogeneous products

- b) large numbers of potential buyers.
- c) large numbers of potential sellers.
- d) the ability of sellers to set prices.

9. A purely competitive firm with no market power faces:

- a) a perfectly elastic demand curve
- b) a perfectly elastic supply curve
- c) a perfectly inelastic supply curve
- d) a downward sloping demand curve

10. In 2006 there were 200,000 cosmetic surgeries demanded at a price of Ksh.55,500. In 2007 there were **more than** 200,000 cosmetic surgeries demanded at the same price. This increase could be the result any of the following EXCEPT

- a) an increase in the supply of cosmetic surgeries.
- b) an increase in income if cosmetic surgeries are a normal good.
- c) a fall in the price of other beauty treatments, a complement for cosmetic surgeries.
- d) an increase in population.

11. Which of the following would NOT shift the demand curve for health care in Kenya?

- a) an increase in income
- b) a decrease in the price of ham
- c) a change in tastes for turkey
- d) a change in the price of a turkey

12. An increase in consumer income will increase demand for a _____ but decrease demand for a _____

- a) substitute good, inferior good
- b) normal good, inferior good
- c) inferior good, normal good
- d) normal good, complementary good

13. Two health products X and Y are on the market. After a short while, product X increases on the market but Y does not increase. Which of the following increases the quantity supplied of good X but may NOT increase the supply of good Y?

- a) a fall in the price of resources used to produce X
- b) an advance in the technology for producing X
- c) an increase in the price of good Y, a complement in the production of X

d) an increase in the price of X

14. A firm with market power can face a downward sloping demand curve because:

- a) selling more of the good requires a price cut.
- b) marginal revenue must equal average revenue.
- c) only pure monopolies face horizontal demand curves.
- d) only pure competitors face vertical demand curves.

15. When the price is below the equilibrium price, the quantity demanded

- a) is less than the equilibrium quantity and the quantity supplied also is less than the equilibrium quantity.
- b) is less than the equilibrium quantity but the quantity supplied exceeds the equilibrium quantity.
- c) exceeds the equilibrium quantity and the quantity supplied also exceeds the equilibrium quantity.
- d) exceeds the equilibrium quantity but the quantity supplied is less than the equilibrium quantity

16. If good A is a normal good and income increases, the equilibrium price of A _____ and the equilibrium quantity of A _____.

- a) rises; increases
- b) rises; decreases
- c) falls; decreases
- d) falls; increases

17. Which of the following is not a reason for increased health spending?

- a) People spend more on their health as their income increases
- b) People are living longer
- c) The average age of the population is rising
- d) People are dying earlier

18. An increase in demand in Health care which remains free at the point of use but where medical resources are limited will result in:

- a) Reduction in price of healthcare
- b) Longer waiting lists
- c) Rises in price of healthcare.
- d) Unemployment in healthcare service

19. The benefits associated with the best alternative use of resources is called:
- Cost Benefit analysis
 - Utility costs
 - Opportunity cost
 - Alternative activities
20. The marginal benefit from a good is the maximum amount a person is willing to pay for
- all of the good the person consumes.
 - one more unit of the good.
 - all of the units of the good the person consumes divided by the number of units he or she purchases.
 - one more unit of the good divided by the number of units purchased

SECTION II
Short Answer questions.
30 MARKS

Answer all Questions in this section.

- Health care is considered a commodity that obeys the laws of supply and demand. Apart from the price of a given commodity, Outline **Six** factors that affect demand OF healthcare as a commodity on the market. (6 Marks)
- Explain **four** situations that can cause the demand curve to shift inwards (4 Marks)
- Using the theory of supply and demand, explain the causes of Market Equilibrium (5 Marks)
- Cost Benefit Analysis (CBA) appraisal is important in the initiation and prosperity of a Health project. Explain any **five** benefits of carrying out Cost Benefit Analysis (CBA) (5 Marks)
- Inflation has a serious consequence on peoples' access to healthcare. Outline **six** major causes of inflation (6Marks)
- The free-rider problem is a type of market failure that occurs when those who benefit from resource such as Health care fail to pay for the resource. Outline **four** challenges that result from the Free rider problem (4 Marks)

SECTION III
Long Answer questions
20 Marks

Answer one Question from this section.

1. Discuss the factors that lead to price elasticity emanating from the supply of goods
(20 Marks)
2. Unemployment is a critical factor in people's access to health care because it erodes people's health purchasing power. Discuss the various types of unemployment and how they impact on the health of people affected.
(20 Marks)