Reece Chekan

Assignment 2

OMDE 606 940

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Refer to Chekan – Assignment 2.xls for most solutions.

1. Ingredients spreadsheet, columns H & I.
   1. Fixed Cost: Expenses that do not change as you get more students.
   2. Variable Cost: Expenses that vary with the volume of students.
   3. Capital Cost: Items which have value for several financial periods.
   4. Recurrent Cost: Expenses that will repeat every year.
2. Ingredients spreadsheet, cell F5.
3. Ingredients spreadsheet, cell F20 & F25.
4. Ingredients spreadsheet, cell F34.
5. Calculation\_sheet spreadsheet, cells A5 to K8.
6. Calculation\_sheet spreadsheet, cells A9 to K12.
7. The reason why many support annualizing costs is because simple depreciation and social discount rate depend on the age of the capital in question. Since the value of the services received does not depend on the age of the capital, and will not change from year to year, it is better to annualize. The reason why some argue against annualizing costs is because it doesn’t make sense to charge the total capital cost to the first year of a project; capital costs should be depreciated. Another argument against annualizing costs is that it assumes that educational institutions are incurring an opportunity cost, when in fact they have little choice in “investing” the foregone money, making the decision to user interest rates questionable (Rumble, 2012).
8. Calculation\_sheet spreadsheet, row 15.
9. Graphs spreadsheet, GRAPH B.
10. Calculation\_sheet spreadsheet, row 16.
11. Graphs spreadsheet, GRAPH C.
12. Calculation\_sheet spreadsheet, cell D20.
13. Graphs spreadsheet, GRAPH A.
14. The simple answer to this question is scale economies. As the size of a program increases (N), the lower the average cost (AC) of the program will be . This is important because it means that larger programs are able to deliver high quality content at lower costs, and thus increase access to education. While total cost (TC) will increase just like traditional classroom education, DE is unique in that as (N) increases, (AC) decreases.

References

Rumble, Greville (Lecturer, Open University), (2012-10-12). The Costs and Economics of Open and Distance Learning (Open & Distance Learning S) (Kindle Location 1131). Taylor and Francis. Kindle Edition.