**Assignment #4**

**Exercise #1**

*Your firm designs PowerPoint slides for computer training classes, and you have just received a request to bid on a special project to produce the slides for an 8-session class. From previous experience, you know that your firm follows an 85 percent learning rate. For this contract, it appears the effort will be substantial, running 50 hours for the first session. Your firm bills at a rate of $100/hour and the overhead is expected to run a fixed $600 per session. The customer will pay you a flat fixed rate per session. If your nominal profit margin is 20 percent, what will be the total bid price, the per session price, and at what session will you break even?*

*Note: You may use either a simple or a logarithmic equation for the learning curve.*

Total time for 8 sessions is --> 50 x 5.936 = 296.8 or 297 hrs rounded up.

Fixed cost is --> 600 x 8 = 4800

Variable cost is --> 100 x 297 = 29700

Total Cost is --> 29700 + 4800 = 34500

Total bid price is --> 34500 x 1.2 = 41400

Price per session is --> 41400 / 8 = 5175

Break Even Session is --> 34500 / 5175 = 6.66666

Break Even Session is --> 6.67 rounded.

So, the total cost will be covered by the 7th session**.**

**Case: Friendly Assisted Living Facility Project Budget Development -4: Questions 1 & 2 (pg 140-142)**

1. *The cost per square foot for the units is given in the text together with its standard deviation. What other areas of cost or revenue are likely to have cost uncertainty? How should these uncertainties be handled?*

Well according to the text there is a lot of uncertainty in most of the purchased equipment and items. As stated in the text a lot of the medical equipment is already purchased/existing and does not need to be purchased again. I can only assume that there are other areas like this that have similar situations.

The main problem is that all other costs that have to do with workers and hourly wages is going to fluctuate and change. Problems with construction, assembly, initiation of projects in the building or with the company could change because an issue arises. For example, legal and accounting fees could change because something is changed and therefore all documents have to be updated. That would create a different cost because more work is being done.

Now it is good that the company has estimates on the topic stated above because that atleast gives an idea, but it is important to note that those are changing numbers and are not going to be exact.

So, when looking at the cost breakdown, and revenue models I would suggest that each value be taken with a certain degree of freedom. This could also lead to individuals suggesting that in some areas cost should be cut in order to plan ahead for the less defined areas where costs could rise. The key here is to determine what areas are going to change and what are set in stone. Then you can go off of those numbers and see how much the numbers could possibly change.

1. *How would you suggest the team handle the issue of Dr Link’s supposedly inflated medical equipment costs?*

Well as stated in the text the issue was that the medical equipment cost wasn’t exact. Instead, it was a more of a list of all the equipment that was needed and the price of each. Since this issue was discovered and brought to light by “Rehab Services Medical Director” then it should be taken care of by the Rehab Services Medical Director since they seemed to know more.

Simply getting the Rehab Services Medical Director involved in the medical budget along with Dr. Link would solve the problem.