

# Raise or lower tuition

Literature, Russian Literature



Topic: Assess a raise in tuition and if it will necessarily result in more revenue. Academic policy makers have been trying to devise strategies to increase financial revenue for universities without having a huge effect on student enrollment. These policy makers have to consider a number of other factors including competitor`s tuition levels, government aids and scholarships along with the ability of students to pay college fees (Jung S, 2008). Due to budget cuts, especially during times of recession, universities have to increase tuition fees to cover the administrative expenses. There is a major misunderstanding among people that increase the price will always result in higher sales or higher revenues for the organization. However, it should be noted that an increase in tuition fees will not always result in more revenue. This is explained by the theory of price elasticity which explains the relationship between quantity demanded and price. Therefore, an increase in tuition would not necessarily result in more revenue. A raise in college tuition should be accompanied by a number of other factors, for it to result in more revenue.

2. Describe the conditions under which revenue will (a) rise, (b) fall, or (c) remain the same. In terms of college tuition, if changes in price result in large changes in student enrollments then college tuition is said to be elastic. In such a case, increasing tuition would not always result in more revenue. However, if tuition for this particular college is inelastic then, it can result in higher revenue as quantity demanded would not be affected much. The elasticities of different products and services depend on a number of factors including other competing colleges in town, the programs offered by the university, the target market of students, reputation of the university, locally as well as internationally. (a). If the tuition for Nobody State University

is price inelastic, then an increase in price (tuition) would not have a large effect on the student enrollments. Therefore, an increase in tuition, in this case, would result in a rise in revenue for the university. (b). If the tuition for Nobody State University is price elastic, then an increase in tuition fees would lower student enrollments. Therefore, this would result in a fall in revenue for the university. (c). The overall revenue for the University would remain the same if the change in tuition is exactly equal to the resulting change in student enrollments. This is known as unit price elasticity of demand.

3. Explain the process of revenue at NSU, focusing on the relationship between the increased revenue from students enrolling at NSU despite the higher tuition and the lost revenue from possible lower enrollment. The process of revenue at NSU depends on its relative elasticity of demand. If the decision undertaken is to increase tuition and if the demand for college education is price inelastic, then the revenue will increase. This has been further explained and researched upon by Desjardins and Bell (2006). This happens when an increase in tuition fees does not have that much of an effect on the students of the university. If the students are not responsive to the increase in tuition then the university can increase tuition fees and earn higher revenue. However, if the students are highly responsive to price increases, then higher tuition would deter students to apply to this university. This would result in lost revenue as lower students would enroll and therefore, the university would have to suffer then.

4. If the true price elasticity were  $(-1.2)$ , discuss what you would suggest the university do to expand revenue. Price elasticity of demand is calculated by dividing percentage change in quantity demanded by percentage change in

price. A negative sign shows that the change in quantity demanded is less than the change in price and therefore, shows price inelasticity. An elasticity of -1.2 shows that the demand for college education is price inelastic. This means that an increase in college tuition would not have much of an impact on the demand for college education. In this case, the university can increase college tuition without worrying about lower student enrollments and thus, lower tuition revenue. Increasing college tuition to expand revenue is a good option that universities have in this case.

5. Using what you have learned in this course, explain how you would resolve this problem if you were the President of NSU. As the president of NSU, it would be my responsibility to make a decision which is in the best interests of the organization. In order to reduce the problems being faced by the university, important stakeholders should be consulted for the best ways of increasing revenue. If the demand for college education is price inelastic, then increasing tuition fees would be the most appropriate method to raise revenue. However, if the price elasticity of the demand for college education is price elastic then increasing tuition fee would not always result in higher revenue. A good option in such a case would be to charge higher tuition fees for students whose demand for enrollment is relatively inelastic. Charging higher fees would not affect student enrollment. Another option is to provide more specialized services in terms of unique programs and courses for the students. These services should be offered at higher costs so that the university can earn higher revenues (Bradley R. et al, 2010). Works Cited: " Student response to tuition increase by academic majors: empirical grounds for a

cost-related tuition policy." Ashford University Library. N. P., n. d. Web. 6 Sept. 2013.