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Help

Second Semester SY 2020-2...

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[SHS ONLY] Senior **Highschool Teachers** Online Class Performance **Evaluation (Manila:** Part 5)[Required]

Student Perception on Limited F2F Survey (Required)

4.1 Capitalized Cost



CAPITALIZED COST

Engr. Feb June R. Gogola

Immersive Reader

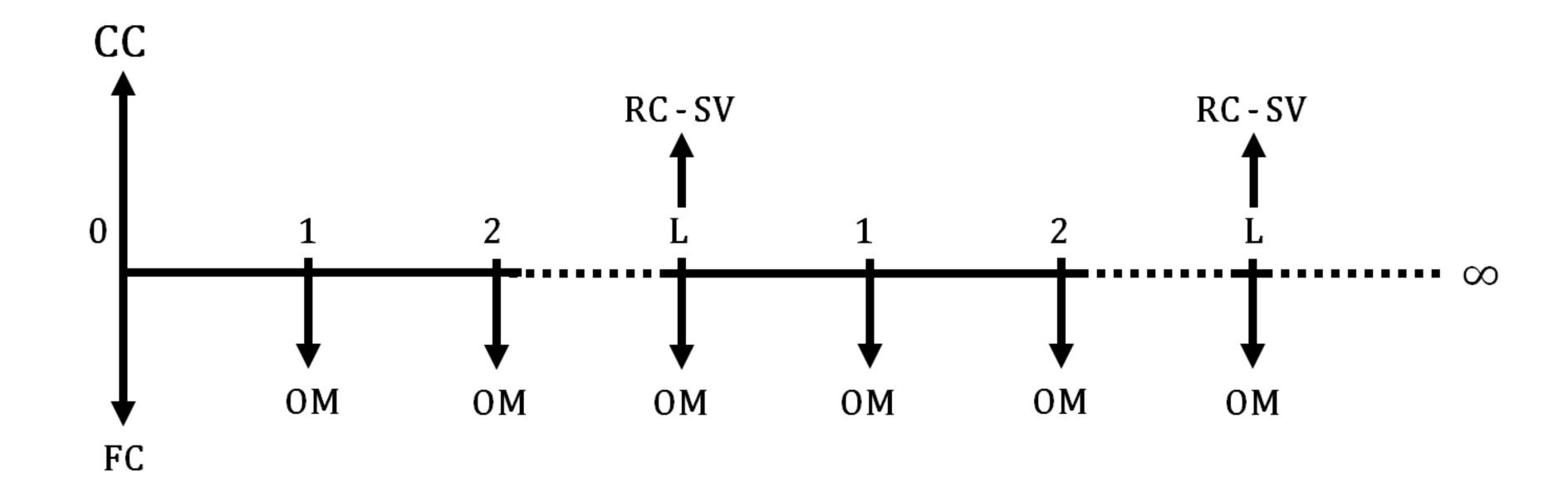
Intended Learning Outcomes

At the end of the lesson, the student shall be able to:

- 1. Define what is a capitalized cost.
- 2. Apply the formulas/equations in capitalized cost to solve word problems.

CAPITALIZED COST

One of the most important applications of perpetuity is in capitalized cost. The capitalized cost of any property is the sum of the first cost and present worth of all costs of replacement, operation, and maintenance for a long time or forever. Capitalization is used when an item is expected to be consumed over a long period of time.



$$CC = FC + rac{OM}{i} + rac{RC - SV}{\left(1 + i
ight)^L - 1}$$

where:

CC
ightarrow capitalized cost

FC
ightarrow first cost

OM
ightarrow operation and maintenance cost

 $RC \rightarrow reconstruction cost$

SV
ightarrow salvage value

 $L \,
ightarrow \, life \, span$

note: If NO reconstruction cost is given, we will assume that it is equal to the first cost, RC = FC, considering that it has a lifespan or needs a replacement/reconstruction after L years.

Reference: Engineering Economics by Hipolito Sta. Maria



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