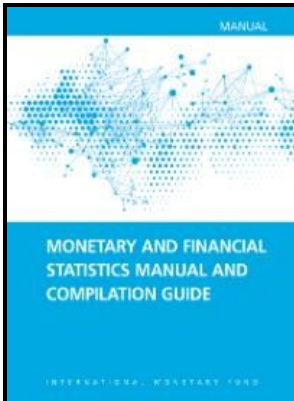


# Financial analysis techniques for equipment replacement decisions.

## National Association of Accountants - What is Replacement Analysis?



Description: -

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Chinese -- Massachusetts -- Boston.

Cost accounting

Depreciation

Replacement of industrial equipmentFinancial analysis techniques for equipment replacement decisions.

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NAA research monograph -- no. 1Financial analysis techniques for equipment replacement decisions.

Notes: Bibliography: p. 63-66.

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### Replacement of Equipment's: Introduction, Reason and Factors

So to determine the actual future depreciation expense that will be experienced with the old equipment, you must know 1 its present market value, 2 its estimated remaining service life, and 3 its expected salvage value at the end of that life. Technique Calculating periodic cash flows of existing asset is straight forward. At the time of replacement, rather than considering only the factors pertaining to the particular equipment involved, replacement studies should be carried out on plant-wide cost basis because the effect of replacement upon other operating costs may be highly significant.

### Replacement of Equipment's: Introduction, Reason and Factors

With this set of figures, you can obtain the total average annual cost of the alternative of keeping this equipment. How these costs can be computed is shown in the example that follows. The parts replacement decision, to replace a piece of equipment should be based on facts and figures.

### Replacement Decision

Reasons for Replacement of Equipment 3. Typical operating cost are expenditures for labor, materials, supervision, maintenance, and power. In this way purchaser does not loose the money he has paid out in rent.

### The Essentials of Capital Budgeting in Financial Analysis

An asset life may be reduced due to physical impairment, changes in economic requirements and rapid changes in technology that may obsolete an assets prior to expectation. You multiply the average investment in this asset by the interest rate to obtain the average annual interest expense. Zero-Based Budgeting is more than just building a new budget from scratch zero.

### The Essentials of Capital Budgeting in Financial Analysis

New and additional land, buildings, and services are all part of the capital budget for growth. The amount of capital expenditures depends on the

firm's industry.

## **Basic Concepts for Making Informed Financial Decisions for the Clinical Laboratory Part 2**

Solution: Replacement after two years: Time Narrative Cash Flows DCF 10% Present Value 0 Purchase 20,000 1. With this simplification, the total costs which you calculate for each type of equipment will be understated by the same amount. But if revenues are affected by the choice of equipment, they must be considered.

### **Replacement of Equipment's: Introduction, Reason and Factors**

When the expense is for maintaining the asset in its current condition, the cost is fully deducted in the year of the expense. This matching principle ties the expense incurred to revenues generated in the same accounting period, which creates a more accurate Income Statement. No costs are ongoing, and all costs must be justified by management.

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