Engineering Economy

Chapter 9: Replacement Analysis

The objective of Chapter 9 is to address the question of whether a currently owned asset should be kept in service or immediately replaced.

What to do with an existing asset?

- Keep it
- Abandon it (do not replace)
- Replace it, but keep it for backup purposes
- Augment the capacity of the asset
- Dispose of it, and replace it with another

Replacement: past estimation errors

- Any study today is about the future—past estimation "errors" related to the defender are irrelevant.
- The only exception to the above is if there are income tax implications forthcoming that were not foreseen.