

What Is the Basic Comparison?

- Identify the defender and the best challenger.
 - Product.
 - Machine.
 - Process.
 - Personnel.
 - Mix.

*Decision Criteria leads to one of the following:
If the defender is more economical, it should be retained.
If the challenger is more economical, it should be installed.*

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Analysis Technique # 1

Is Appropriate When Replacement Repeatability Assumptions Hold

- The best challenger is available in all subsequent years and will be unchanged in economic cost.
- The period of needed service is infinitely long.

These assumptions appear to be rather restrictive.

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After Tax Replacement Analysis

- Adds expanded perspective as changes occur in:
 - Remaining economic life of defender.
 - Economic life of challenger.
 - Defender vs. Challenger comparisons.
- Affected by:
 - Depreciation MACRS.
 - Assets market value over time.

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