



Unit 5 - UNIT-4 (Week 4)

Course outline

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Unit-1 (Week 1)

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UNIT-4 (Week 4)

- ☐ Lecture-1: Replacement Analysis
- ☐ Lecture-: Treatment of Sunk Cost in Replacement
- ☐ Lecture-: Replacement Because of Improved Efficiency
- ☐ Lecture-4: Problem Solving on Replacement Analysis
- ☐ Lecture-5: Economic Life of the Asset
- ☐ Quiz : Assignment 4
- ☐ Solutions of Assignment 4

UNIT-5 (Week 5)

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Assignment 4

The due date for submitting this assignment has passed. **Due on 2018-03-07, 11:59 IST**
 As per our records you have not submitted this assignment.

1) replacement analysis, challenger is defined as

1 point

- ☐ Existing asset being considered for replacement
- ☐ Asset proposed to be the replacement
- ☐ Asset no longer in use
- ☐ Asset with zero salvage value

No, the answer is incorrect.

Score: 0

Accepted Answers:

Asset proposed to be the replacement

2) The Process of becoming an equipment/asset out of date is known as

1 point

- ☐ Physical deterioration
- ☐ Obsolescence
- ☐ Depletion
- ☐ Amortization

No, the answer is incorrect.

Score: 0

Accepted Answers:

Obsolescence

3) Which of the following is not considered while analyzing replacement problems:

1 point

- ☐ Outsider's view point
- ☐ Economic merit of the investment
- ☐

First cost of the defender (purchased in past)



None of above

No, the answer is incorrect.

Score: 0

Accepted Answers:

First cost of the defender (purchased in past)

4) Economic service life results in

1 point



Minimum equivalent annual cost



Maximum equivalent annual cost



Minimum annual equivalent revenue



None of above

No, the answer is incorrect.

Score: 0

Accepted Answers:

Minimum equivalent annual cost

5) A truck was purchased 3 years ago for Rs. 45,000 and can be sold today for Rs. 24,000. The operating costs are Rs. 9,000 per year, and it is expected to last 4 more years with a Rs. 5,000 salvage value. A new truck, which will perform that same service, can be purchased for \$50,000, and it will have a life of 10 years with operating costs of Rs. 28,000 per year and a Rs. 10,000 salvage value. The value that should be used as P for the presently owned vehicle in a replacement study is **1 point**



Rs. 45,000



Rs. 5000



Rs. 50,000



Rs. 24,000

No, the answer is incorrect.

Score: 0

Accepted Answers:

Rs. 24,000

6) 4 years ago a pump was purchased for Rs 60,000 with annual operating cost of Rs 32,000. The pump is expected to work satisfactorily for 6 additional years, after which it will have negligible salvage value. There is an opportunity to purchase a new pump for Rs 85,000 with life of 6 years, negligible salvage value at the end of its life, and an annual operating cost of Rs 14,000. If the new pump is purchased, the old pump will be sold for Rs 16,000. Using 6-year study period and interest rate of 12%, it is better to **1 point**



Continue with existing pump



Replace the existing pump with new pump



It can't be decided





None of the above

No, the answer is incorrect.**Score: 0****Accepted Answers:***Replace the existing pump with new pump*

A new forklift truck will require an investment of Rs 20,000 and is expected to have 1 point
year-end salvage values and annual expenses as shown in table below. If the MARR is 10% per year, the asset be retained in service for

End of year	Salvage value at end of year (Rs.)	Annual Expenses (Rs.)
0	20,000	
1	15,000	2,000
2	11,250	3,000
3	8,500	4,620
4	6,500	8,000
5	4,750	12,000



2 years



3 years



4 years



5 years

No, the answer is incorrect.**Score: 0****Accepted Answers:***3 years*

8) For Q 8 TO 10:

1 point

For three mutually exclusive investment alternatives P, Q and R, the capital investment and annual cost savings are presented in the following table. Study period is taken as 10 years.

	Alternatives		
	P	Q	R
Capital investment (in Rupees)	-390000	-920000	-660000
Annual cost savings (in Rupees)	69000	167000	133500

Based on present worth (PW) method of comparison of alternatives, PW(10%) of alternative Q is



Rs. 33977



Rs. 106148



Rs. 160304



Rs. 180367

No, the answer is incorrect.**Score: 0****Accepted Answers:***Rs. 106148*

9) Based on Annual equivalent/worth method of comparison of alternatives, AW(10%) of alternative R is

1 point



Rs. 5547



Rs. 17316



Rs. 26118



Rs. 18990

No, the answer is incorrect.**Score: 0****Accepted Answers:***Rs. 26118*

10) The alternative which should be chosen is

1 point



P



Q



R



Either Q or R

No, the answer is incorrect.**Score: 0****Accepted Answers:***R*[Previous Page](#)[End](#)

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