

Motor Grader Example 3 (Unequal Lives)



Dirt Movers, Inc. is evaluating two motor graders to expand their equipment fleet:

	John Deere	Komatsu
Initial Cost:	\$250,000	\$220,000
O&M Cost:	\$19,000/yr	\$24,000/yr
Salvage Value:	\$32,000	\$47,000
Useful Life:	16 yrs	12 yrs

Which motor grader should they choose if their MARR is 12% per year? Use a common study period of 16 years to compare the alternatives and assume a Komatsu can be rented as needed for \$60,000 per year (incl. O&M) after Year 12.