

## Depreciation : A Vehicle Retirement Model A Case Study of A.P.S.R.T.C.

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### 1. INTRODUCTION

In the industrial economic analysis very few studies are available, dealing as to when a capital asset has to be retired and how a depreciation policy is to be formulated. The retirement of a capital asset depends upon several factors. However, two important factors may be emphasised which to a great extent determine the retirement of a capital asset and depreciation allocations. They are:

1. The Technical life of the asset
2. The Economic life of the asset.

The Technical life of an asset is decided by the engineering norms. This means that the capital asset has to be used till it becomes unusable. Whereas the economic life of an asset is influenced by the prices in the factor market. This means that, due to overage, if the capital asset consume more inputs (in relation to new or young capital asset) and if this difference exceeds that of ruling rate of interest, then it is preferable to retire a capital asset.

### 2. OBJECTIVE

In this article an attempt is made to find out when a Vehicle (the main capital asset in a transport organisation) has to be retired in APSRTC. Vehicles occupy 83 per cent of the total capital structure of APSRTC on 1.4.1976. Hence vehicles are the most important capital asset of this organisation. As an economist it is essential to take into consideration the influence of economic factors also in determining the vehicle retirement.

For this purpose, it is proposed to examine how the age-composition of vehicles is influencing the consumption of the current inputs to evolve a scientific vehicle retirement model vis-a-vis depreciation policy. To find out the effect of various current inputs (viz. Fuel, Tyres and tubes and spare parts) on the different ages of vehicles, the technique of multivariate analysis is employed. It is