

## **Applications of Replacement Philosophy under to Declining Manufacturing Apparatus**

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### **Abstract:**

Every industrial piece of equipment ages mechanically with usage, decreasing its ability to perform its functions as intended. Due to the increased demand for such equipment, operating and maintenance expenses have increased, necessitating its replacement. However, the goal of this analysis is to determine the exact time at which it is most economical to replace the designated equipment. The standby model, which ignores vicissitudes in the value of currency over the research retro and covers things whose maintenance costs rise over time, According to the analysis's findings, the institution under study's producing plant has a minimal average annual cost of 971,222.60 after five years of operation. Subsequently, the yearly average cost rose to \$998,725.33. This demonstrates that, assuming The Polytechnic Ibadan authority dismantled the generating plant established at the institution's Eruwa Campus in 20017 and replaced it with a new one in 2022; it is economically.

**Keywords:** Replacement theory, Maintenance Cost

### **1. Introduction**

A machine develops a flaw, completely fails, or degenerates and requires maintenance. A machine costs money to maintain or to replace. As the financial component has a bigger effect, it must be well-cared for. I've remained driven by this to exertion on the "spare problem." Replacement issues mostly relate to an organization's desire to minimise costs and maximise profits. The difficulty level of equipment maintenance has increased. Increasing maintenance costs is not helpful for the organisation. Losses will eventually result from it.

When maintenance costs increase, equipment replacement becomes a pressing

necessity. Any organisation that uses equipment must replace such equipment because of the on-going rise in repair and maintenance costs. Asset extraphilosophy was defined as a organizationsystem by Desu (2017) to study and design the greatest replacement method for a firm's strength. Not only should a decision be made about whether to replace or not, but also on how frequently to replace these assets. Prem Kumar Gupta and D.S. Hira (2000) claim that equipment needs to be replaced not since it no elongated meets the intended ideals or conditions but rather because supplementary advanced paraphernalia with greater ideals is found. The following factors should be given careful consideration in order to make the best decision possible regarding asset replacement:

- The cost of the new asset, the cost of repairs and maintenance, and the purchase price of the old asset or piece of equipment that will be replaced.
- The replacement asset previously incurred capital costs.
- Opportunity cost and Taxes and investment incentives paid on the item that will be replaced.

P. Rama Murthy (2007) claims that when businesses want to replace machinery or equipment, they may have to weigh several alternatives that involve comparing prices for things like operation and maintenance. There are several methods for figuring out when to replace decaying machines in order to make the best choice, including:

- Replacement of products whose maintenance costs rise over time but the worth of money stays the same.
- Replacing objects whose upkeep costs rise over period and the worth of currency fluctuates over time.
- To contrast several options or the notion of present value.

Many scholars have already investigated the machine replacement problem, although many of the papers describe the methods for modeling the problem without any practical use. Aimed at case, Renewal philosophy was taken in aengine by Tai 2005. The information presented in their research may not make sense to replacement models that can be understood by mathematicians and individuals from other fields.

The goal of this schoolwork is to mature a replacement model and apply it to decide when it is time to substitutetackle whose repair and care costs rise over period and whose efficiency declines. This paper uses the theoretical framework of the spare of matters whose upkeep and repair costs rise with period, ignoring variations in the price of money through the dated, to determine the appropriate time to replace the 250 KVA Milan

generating plant used for six years at The Poly Ibadan, AdeseunOgundoyinProperty, Eruwa in Oyo State of Nigeria.

### **1.1 Some Practical Phrases Used Scrap Value:**

Continuous or persistent use of a machine causes a loss in the asset's economic worth, which may necessitate selling the machine. The asset's final selling price is referred to as its scrap value.

### **1.2 Depreciation**

A variety of assets, including cars, machinery, tools, houses, and generating plants, have a value that decreases over time. This decline may be brought on by the asset's physical depreciation or its obsolescence. Yes, a machine (like a generating plant) cannot be used indefinitely. Each machine's productive capability will decrease with continued use, which will lower its value. On the other side, when a new, enhanced version is released, some assets become outdated. Depreciation is the term used to describe such a value reduction.

### **1.3 Cost of procurement:**

This is the quoted inventory price less any authorized discounts shipping costs. Replacement cost is the price at which a similar asset to the one being replaced could now be purchased. That is the current acquired price of an identical asset in all other cases.

## **2. Data Analysis and Methods:**

The Polytechnic AdeseunOgundoyin Campus, Eruwa supplied the information that was utilized in this study. The information addressed the cost of upkeep for the Mikano generating facility over a six-year period. The approach taken in this study ignores variations in the worth of money throughout the study old-fashioned in favor of replacing things whose maintenance and repair expenses rise with time. This methodology aims to reduce the usual once a year cost of machinery whose conservation costs rise over while while their tussle value stays the same. The concentration proportion is zero and computations must be created on typical annual cost because fluctuations in the wealth of money are not taken into account. If this situation occurs, we can employ any of these two methods:

## 2.1 Case 1:

If time 't' is a constant in constant

Agreement's D = capital total of the apparatus

S = scrap rate of the apparatus

Z = Average almanac over-all cost of the apparatus

m = Integer of years the apparatus has remained drummage-sale.

F(t) = operating and upkeep cost of the paraphernalia at period t.

Later, Annual cost of the apparatus at period z = capital cost – scrap worth + keep cost at period t.

Now, the entire upkeep cost incurred throughout n years =  $\int_0^m fzd(z)$

Whole cost suffered throughout n years

$$TD = D - S + \int_0^m fzd(z)$$

$$ATD_m = \frac{1}{m} [D - S + \int_0^m fzd(z)]$$

To control the value of n designed for

which  $ATD_m$  is smallest, we will discriminate  $ATD_m$  w.r.t. m

$$\frac{d(ATD_m)}{d_m} = \frac{1}{m^2} (D - S) - \frac{1}{m^2} \int_0^m fzd(z)$$

If

$$\frac{d(ATD_m)}{d_m} = 0$$

Then

$$F(m) = \frac{1}{m} [D - S + \int_0^m fzd(z)]$$

$$= ATD_m$$

So, when the normal yearly cost of data equals the existing upkeep cost, the equipment should be changed. With the explicit function for the maintenance and repair expenses offered, one can use this result to determine when it is time to replace decaying industrial or organizational equipment.

## 2.2 Case 2:

Presumptuous the period 'z' is a distinct variable, the whole cost experienced through n centuries, is arithmetically articulated as:

$$TD = D - S + \int_0^m fzd(z)$$

and unusual annual cost sustained on the tackle

$$\frac{1}{m} [D - S + \int_0^m f z] = ATD_m \dots (1)$$

Later, to estimation the smallest value of n for which  $ATD_m$  is least, below dissimilarity has to be painstaking

$$ATD_{m-1} > ATD_m < ATD_{m+1}$$

Mathematically, the inequality can be resolved as

$$ATD_{m-1} - ATD_m > 0$$

$$ATD_{m+1} - ATD_m > 0$$

From equation (1), if  $m = m + 1$ , equ (1) becomes

$$\begin{aligned} ATD_{m-1} &= \frac{1}{m+1} [D - S + \int_{z=0}^{m+1} f z] \\ &= \frac{1}{m+1} [D - S + \int_{z=0}^m f z + f(m+1)] \\ &= \frac{m}{m+1} \cdot ATD_m + \frac{f(m+1)}{m+1} \end{aligned}$$

∴

$$ATD_{m-1} - ATD_m = \frac{f(m+1)}{m+1} - \frac{ATD_m}{m}$$

Subsequently

$$ATD_{m-1} - ATD_m > 0$$

$$\frac{f(m+1)}{m+1} - \frac{ATD_m}{m} > 0$$

Or

$$f(m+1) - ATD_m > 0$$

Correspondingly

$$ATD_{m-1} - ATD_m > 0,$$

Crops

$$f(m) > ATD_{m-1}$$

After overhead outcomes, the subsequent standby policies intend to be painstaking when attractive a verdict:

- When the effective and conservation cost on behalf of the subsequent year,  $f(m+1)$  is supplementary than the normal annual total of nth year,  $ATD_m$  single takes to trade the piece at the finish of n centuries.

$$\text{That is } f(m+1) > \frac{1}{m} [D - S + \int_{z=0}^m f z]$$

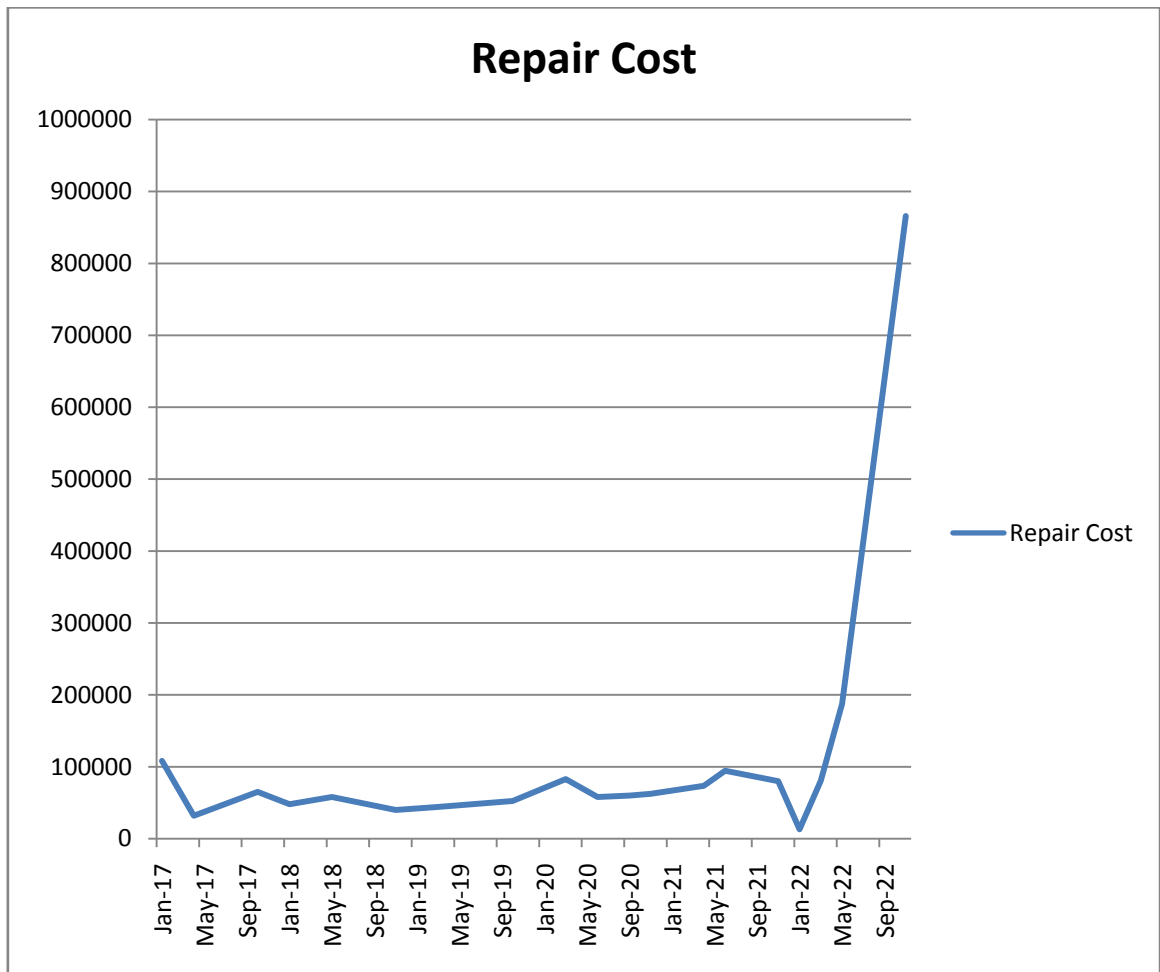
- If the in a row expenditure of the present-day year is less than the aforementioned year's normal annual charge,  $ATD_{m-1}$ , then, one would not swap the weakening item.

$$\text{That is } f(m) < \frac{1}{m-1} [D - S + \int_{z=0}^{m-1} f z]$$

From upstairsstrategies it was bare that m is optimum at the smallest average almanac cost.The numbers offered on the table underneath displays the time of mending and upkeep cost of the creating plant actuality used at The Polytechnic Ibadan, AdeseunOgundoyin Campus Eruwa.

Months/Years	Repair Cost
01/2017	108300
04/2017	32000
10/2017	65100
01/2018	48000
05/2018	58000
11/2018	40000
03/2019	44100
10/2019	52300
03/2020	83000
06/2020	58000
09/2020	60000
11/2020	62500
04/2021	73500
06/2021	94500
11/2021	80000
01/2022	13000
03/2022	80750
05/2022	187500
11/2022	866000

**Table: 1**

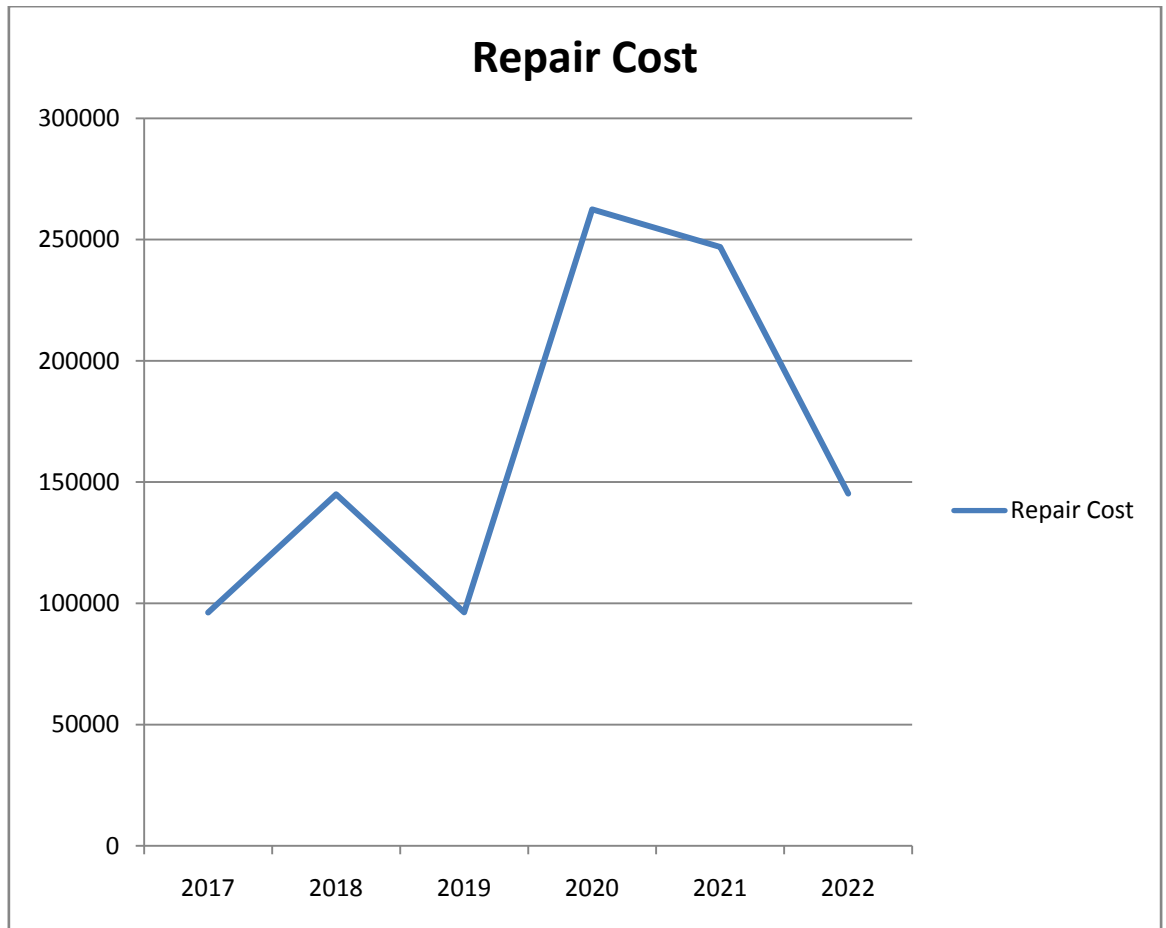


**Figure: 1**

The data presented above is summarized as thus

Year	Repair Cost
2017	96205
2018	145000
2019	96300
2020	262510
2021	247000
2022	145240

**Table:2**

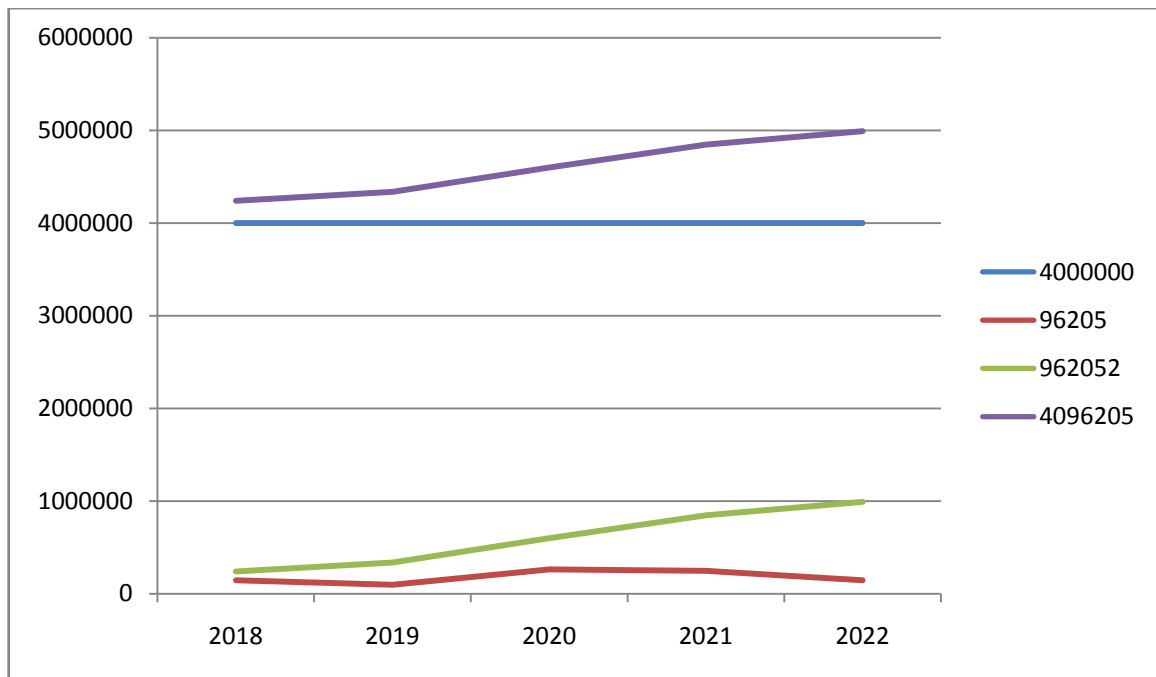
**Figure: 2**

The technique former stated is custom to control the day that consumes tiniest value of usual annual cost. The obtaining cost of the making plant as at 2008 is N= 5,000,000 and its ScuffleValue is N= 1,000,000.

2017	4000000	96205	96205	4096205
2018	4000000	145000	241205	4241205
2019	4000000	96300	337505	4337505
2020	4000000	262510	600015	4600015
2021	4000000	247000	847015	4847015
2022	4000000	145240	992255	4992255

**Table:3**





**Figure: 3**

### 3. Conclusion:

In the fifth year of using the producing plant, the study in table 3 reveals that the minimum average annual cost is N 971,241.50. As a result, the producing plant needs to be replaced after five years of operation. In this paper, we show how the replacement model, which accounts for items whose maintenance and repair costs rise over time without taking into account variations in the price of cash (i.e., either increase or deflation) during the study period, can be used to determine when to replace depreciating equipment. According to the analysis, the producing plant's minimum average annual cost is reached after the fifth year of operation. This suggests that it would have been acceptable economically to remove and replace the 250KVA Mikano generating plant at The Polytechnic Ibadan, AdeseunOgundoyin Campus Eruwa after five years of operation.

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