



The Engineering Economist >

A Journal Devoted to the Problems of Capital Investment

Volume 22, 1976 - [Issue 1](#)

6	6	0
Views	CrossRef citations to date	Altmetric

ARTICLES

The Role of Abandonment Value in Capital Asset Management

James L. Pappas

Pages 53-62 | Published online: 31 May 2007

Cite this article <https://doi.org/10.1080/00137917608965162>

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

The Role of Abandonment Value in Capital Asset Management

James L. Pappas
University of Wisconsin

In a recent article in this journal Jeffrey E. Jarrett developed an abandonment decision model in which he attempted to explicitly incorporate uncertainty into the decision process [4]. Although the issue addressed in Jarrett's effort is an important one in the field of asset management and prior work has not been entirely satisfactory, his model is based on faulty economic logic and will not in general lead to optimal abandonment decisions. In this paper, the role of abandonment value in capital asset management is examined and incorporated into the decision process.

THE ABANDONMENT PROBLEM

Many capital projects have a substantial abandonment or disposal value at various times during their economic lives. This possibility of abandoning a capital project prior to the end of its projected economic life plays an important role in a variety of capital asset management decisions. Robichek and Van Horne [6] [7] demonstrated that the possibility of abandonment typically increases the expected return from an investment and reduces the variability (risk) associated with that return. The work of Robichek and Van Horne was extended somewhat by Dyl and Long [2], and Schwab and Lucstig [8], but without major change in the economic rationale for inclusion of abandonment in the investment decision.

Abandonment possibilities also enter in an important fashion into the periodic decision concerning whether to continue to hold a capital asset as opposed to either replacing or scrapping it. This is the decision problem Jarrett explicitly addressed.

Log in via your institution

➤ Access through your institution

Log in to Taylor & Francis Online

➤ Log in

Restore content access

➤ Restore content access for purchases made as guest

Purchase options *

Save for later

PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed


EUR 56.00

 Add to
cart

Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 93.00

 Add to
cart

* Local tax will be added as applicable

Related Research

Recommended articles

Cited by
6

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2025 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)

 Taylor and Francis Group

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG