Total Cost of Vehicle Ownership

Expense and Income Tracking · https://arba.app/userguide/tco/

The total cost of car ownership (TCO) is a key indicator that is calculated using a specific methodology. It includes all types of expenses, as well as the depreciation of the vehicle.

Depreciation is the difference between the purchase price of a car and its current market price. On average, a car loses about 20% of its value per year. There may be exceptions where depreciation can be negative (if the market price has become higher than the purchase price). The application takes into account all these cases.

You can see clearly how depreciation is calculated using our vehicle depreciation calculator.

Example: You bought a car for $19,000 (Purchase Price) and bought $1,000 worth of accessories during the year. After two years, the car's market value had dropped to $14,400 (estimated market price). Thus, depreciation amounted to $5,600 over two years.

In order to calculate depreciation in the ARBA Auto application, you need to perform two steps:

- Specify the purchase price of the vehicle. Navigate to the "Timeline" feed. When adding a vehicle, the expense record "acquiring a vehicle” automatically appears on this tab. Open and fill out this form. Enter the total purchase price of the vehicle. If you are buying a vehicle on credit, then create a recurring expense record with the category “Purchasing a vehicle” and enter expenses as you make payments.
- Enter the approximate current value of the car. Navigate to the "Reports" tab, scroll down, and tap "Settings". The average value of your vehicle is estimated today. Click "Update".

The ARBA Auto app automatically classifies four categories of expenses as depreciation: Loan payments, Tuning, Buying a car, Leasing.

For example, if you install a spoiler or improved headlights, these costs should not be counted as repair or running costs. These costs increase the initial purchase price, but they usually do not increase the market price of the vehicle. When entering this expense, specify the category “Tuning”

and the application will take this expense into account for depreciation.

In the ARBA application, the depreciation amount is evenly distributed over all days of car ownership. To see depreciation, you need to navigate to the "Reports" tab, open the "Expenses" chart and select the "Depreciation" category.

We recommend watching a video from Bank of America on the methodology for calculating the cost of ownership: “What Are the True Costs of Car Ownership?”

Embedded media: https://www.youtube.com/embed/x-4JlxYvt7k?feature=oembed