



## Discount tables for HL examinations

**Example:** Use a discount rate of 8% to calculate the net present value of forecasted net cashflows for investment project X. Complete the table below.

Year 1	Net cash flows	Discount factor 8%	Discounted cash flow
1	\$12,000		
2	\$15,000		
3	\$15,000		
4	\$10,000		

Years	Discount rate				
	4%	6%	8%	10%	20%
1	0.9615	0.9434	0.9259	0.9091	0.8333
2	0.9246	0.8900	0.8573	0.8264	0.6944
3	0.8890	0.8396	0.7938	0.7513	0.5787
4	0.8548	0.7921	0.7350	0.6830	0.4823
5	0.8219	0.7473	0.6806	0.6209	0.4019
6	0.7903	0.7050	0.6302	0.5645	0.3349

**Multiply** the net cash flow by the appropriate discount rate from the table above to **calculate the discounted cash flow for each year.**

Year 1	Net cash flows	Discount factor 8%	Discounted cash flow
1	\$12,000	0.9259	<b>\$11,110.80</b>
2	\$15,000	0.8573	<b>\$12,859.50</b>
3	\$15,000	0.7938	<b>\$11,907.00</b>
4	\$10,000	0.7350	<b>\$7,350.00</b>

