IB Business Management: Exams and assessments **Discount tables for HL examinations**



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DISCOUNT TABLES (HL ONLY)

TO BE USED WHEN CALCULATING NET PRESENT VALUE OF FUTURE CASHFLOWS

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
7	0.7599	0.6651	0.5835	0.5132	0.2791
8	0.7307	0.6271	0.5403	0.4665	0.2326
9	0.7026	0.5919	0.5002	0.4241	0.1938
10	0.6756	0.5584	0.4632	0.3855	0.1615



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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		

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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	\$11,110.80
2	\$15,000	0.8573	\$12,859.50
3	\$15,000	0.7938	\$11,907.00
4	\$10,000	0.7350	\$7,350.00



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