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 |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\mathbf{4 \%}$ | $\mathbf{6 \%}$ | $\mathbf{8 \%}$ | $10 \%$ | $20 \%$ |
| $\mathbf{1}$ | 0.9615 | 0.9434 | 0.9259 | 0.9091 | 0.8333 |
| $\mathbf{2}$ | 0.9246 | 0.8900 | 0.8573 | 0.8264 | 0.6944 |
| $\mathbf{3}$ | 0.8890 | 0.8396 | 0.7938 | 0.7513 | 0.5787 |
| $\mathbf{4}$ | 0.8548 | 0.7921 | 0.7350 | 0.6830 | 0.4823 |
| $\mathbf{5}$ | 0.8219 | 0.7473 | 0.6806 | 0.6209 | 0.4019 |
| $\mathbf{6}$ | 0.7903 | 0.7050 | 0.6302 | 0.5645 | 0.3349 |
| $\mathbf{7}$ | 0.7599 | 0.6651 | 0.5835 | 0.5132 | 0.2791 |
| $\mathbf{8}$ | 0.7307 | 0.6271 | 0.5403 | 0.4665 | 0.2326 |
| $\mathbf{9}$ | 0.7026 | 0.5919 | 0.5002 | 0.4241 | 0.1938 |
| $\mathbf{1 0}$ | 0.6756 | 0.5584 | 0.4632 | 0.3855 | 0.1615 |
| $\boldsymbol{7}$ |  |  |  |  |  |

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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 $\mathbf{1}$ | Net cash flows | Discount factor $\mathbf{8 \%}$ | Discounted cash flow |
| :---: | :---: | :---: | :---: |
| $\mathbf{1}$ | $\$ 12,000$ |  |  |
| $\mathbf{2}$ | $\$ 15,000$ |  |  |
| $\mathbf{3}$ | $\$ 15,000$ |  |  |
| $\mathbf{4}$ | $\$ 10,000$ |  |  |


| Years | Discount rate |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\mathbf{4 \%}$ | $\mathbf{6 \%}$ | $\mathbf{8 \%}$ | $\mathbf{1 0 \%}$ | $\mathbf{2 0 \%}$ |
| $\mathbf{1}$ | 0.9615 | 0.9434 | 0.9259 | 0.9091 | 0.8333 |
| $\mathbf{2}$ | 0.9246 | 0.8900 | 0.8573 | 0.8264 | 0.6944 |
| $\mathbf{3}$ | 0.8890 | 0.8396 | 0.7938 | 0.7513 | 0.5787 |
| $\mathbf{4}$ | 0.8548 | 0.7921 | 0.7350 | 0.6830 | 0.4823 |
| $\mathbf{5}$ | 0.8219 | 0.7473 | 0.6806 | 0.6209 | 0.4019 |
| $\mathbf{6}$ | 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 vear.

| Year $\mathbf{1}$ | Net cash flows | Discount factor $\mathbf{8 \%}$ | Discounted cash flow |
| :---: | :---: | :---: | :---: |
| $\mathbf{1}$ | $\$ 12,000$ | 0.9259 | $\$ 11,110.80$ |
| $\mathbf{2}$ | $\$ 15,000$ | 0.8573 | $\$ 12,859.50$ |
| $\mathbf{3}$ | $\$ 15,000$ | 0.7938 | $\$ 11,907.00$ |
| $\mathbf{4}$ | $\$ 10,000$ | 0.7350 | $\$ 7,350.00$ |

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