

YEAR	INVESTMENT	PROFIT	DISCOUNT FACTOR	NET PRESENT VALUE
0	- 700,000.00	0		- 700,000.00
1	0	500,000	$(1 + 0.20)^{-1} = 0.833$	416,666.67
2	0	400,000	$(1 + 0.20)^{-2} = 0.694$	277,777.78
3	0	300,000	$(1 + 0.20)^{-3} = 0.579$	173,611.11

Value in use = $-700 + 417 + 278 + 174 = 169$

FIGURE 4.14

Calculation of net present value for a rationalization project.

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