

## Annex 5 – Present Value Tables

The first table shows how much \$1, to be paid at the end of various periods in the future, is currently worth, with interest at different rates, compounded annually.

To use the table, find the vertical column under your discount rate. Then find the horizontal row corresponding to the number of years it will take to receive the payment. The point at which the column and the row intersect is your present value of \$1. You can multiply this value by the number of dollars you expect to receive, in order to find the present value of the amount you expect.

**Present Value of \$1 to be Paid in Future**

<b>Years</b>	<b>3.0%</b>	<b>3.5%</b>	<b>4.0%</b>	<b>4.5%</b>	<b>5.0%</b>
1	\$0.970874	\$0.966184	\$0.961538	\$0.956938	\$0.952381
2	\$0.942596	\$0.933511	\$0.924556	\$0.915730	\$0.907029
3	\$0.915142	\$0.901943	\$0.888996	\$0.876297	\$0.863838
4	\$0.888487	\$0.871442	\$0.854804	\$0.838561	\$0.822702
5	\$0.862609	\$0.841973	\$0.821927	\$0.802451	\$0.783526
6	\$0.837484	\$0.813501	\$0.790315	\$0.767896	\$0.746215
7	\$0.813092	\$0.785991	\$0.759918	\$0.734828	\$0.710681
8	\$0.789409	\$0.759412	\$0.730690	\$0.703185	\$0.676839
9	\$0.766417	\$0.733731	\$0.702587	\$0.672904	\$0.644609
10	\$0.744094	\$0.708919	\$0.675564	\$0.643928	\$0.613913
11	\$0.722421	\$0.684946	\$0.649581	\$0.616199	\$0.584679
12	\$0.701380	\$0.661783	\$0.624597	\$0.589664	\$0.556837
13	\$0.680951	\$0.639404	\$0.600574	\$0.564272	\$0.530321
14	\$0.661118	\$0.617782	\$0.577475	\$0.539973	\$0.505068
15	\$0.641862	\$0.596891	\$0.555265	\$0.516720	\$0.481017
16	\$0.623167	\$0.576706	\$0.533908	\$0.494469	\$0.458112
17	\$0.605016	\$0.557204	\$0.513373	\$0.473176	\$0.436297
18	\$0.587395	\$0.538361	\$0.493628	\$0.452800	\$0.415521
19	\$0.570286	\$0.520156	\$0.474642	\$0.433302	\$0.395734
20	\$0.553676	\$0.502566	\$0.456387	\$0.414643	\$0.376889
21	\$0.537549	\$0.485571	\$0.438834	\$0.396787	\$0.358942
22	\$0.521893	\$0.469151	\$0.421955	\$0.379701	\$0.341850
23	\$0.506692	\$0.453286	\$0.405726	\$0.363350	\$0.325571
24	\$0.491934	\$0.437957	\$0.390121	\$0.347703	\$0.310068
25	\$0.477606	\$0.423147	\$0.375117	\$0.332731	\$0.295303

<b>Years</b>	<b>5.5%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>7.5%</b>
1	\$0.947867	\$0.943396	\$0.938967	\$0.934579	\$0.930233
2	\$0.898452	\$0.889996	\$0.881659	\$0.873439	\$0.865333
3	\$0.851614	\$0.839619	\$0.827849	\$0.816298	\$0.804961

Years	5.5%	6.0%	6.5%	7.0%	7.5%
4	\$0.807217	\$0.792094	\$0.777323	\$0.762895	\$0.748801
5	\$0.765134	\$0.747258	\$0.729881	\$0.712986	\$0.696559
6	\$0.725246	\$0.704961	\$0.685334	\$0.666342	\$0.647962
7	\$0.687437	\$0.665057	\$0.643506	\$0.622750	\$0.602755
8	\$0.651599	\$0.627412	\$0.604231	\$0.582009	\$0.560702
9	\$0.617629	\$0.591898	\$0.567353	\$0.543934	\$0.521583
10	\$0.585431	\$0.558395	\$0.532726	\$0.508349	\$0.485194
11	\$0.554911	\$0.526788	\$0.500212	\$0.475093	\$0.451343
12	\$0.525982	\$0.496969	\$0.469683	\$0.444012	\$0.419854
13	\$0.498561	\$0.468839	\$0.441017	\$0.414964	\$0.390562
14	\$0.472569	\$0.442301	\$0.414100	\$0.387817	\$0.363313
15	\$0.447933	\$0.417265	\$0.388827	\$0.362446	\$0.337966
16	\$0.424581	\$0.393646	\$0.365095	\$0.338735	\$0.314387
17	\$0.402447	\$0.371364	\$0.342813	\$0.316574	\$0.292453
18	\$0.381466	\$0.350344	\$0.321890	\$0.295864	\$0.272049
19	\$0.361579	\$0.330513	\$0.302244	\$0.276508	\$0.253069
20	\$0.342729	\$0.311805	\$0.283797	\$0.258419	\$0.235413
21	\$0.324862	\$0.294155	\$0.266476	\$0.241513	\$0.218989
22	\$0.307926	\$0.277505	\$0.250212	\$0.225713	\$0.203711
23	\$0.291873	\$0.261797	\$0.234941	\$0.210947	\$0.189498
24	\$0.276657	\$0.246979	\$0.220602	\$0.197147	\$0.176277
25	\$0.262234	\$0.232999	\$0.207138	\$0.184249	\$0.163979

Years	8.0%	8.5%	9.0%	9.5%	10.0%
1	\$0.925926	\$0.921659	\$0.917431	\$0.913242	\$0.909091
2	\$0.857339	\$0.849455	\$0.841680	\$0.834011	\$0.826446
3	\$0.793832	\$0.782908	\$0.772183	\$0.761654	\$0.751315
4	\$0.735030	\$0.721574	\$0.708425	\$0.695574	\$0.683013
5	\$0.680583	\$0.665045	\$0.649931	\$0.635228	\$0.620921
6	\$0.630170	\$0.612945	\$0.596267	\$0.580117	\$0.564474
7	\$0.583490	\$0.564926	\$0.547034	\$0.529787	\$0.513158
8	\$0.540269	\$0.520669	\$0.501866	\$0.483824	\$0.466507
9	\$0.500249	\$0.479880	\$0.460428	\$0.441848	\$0.424098
10	\$0.463193	\$0.442285	\$0.422411	\$0.403514	\$0.385543
11	\$0.428883	\$0.407636	\$0.387533	\$0.368506	\$0.350494
12	\$0.397114	\$0.375702	\$0.355535	\$0.336535	\$0.318631
13	\$0.367698	\$0.346269	\$0.326179	\$0.307338	\$0.289664
14	\$0.340461	\$0.319142	\$0.299246	\$0.280674	\$0.263331
15	\$0.315242	\$0.294140	\$0.274538	\$0.256323	\$0.239392
16	\$0.291890	\$0.271097	\$0.251870	\$0.234085	\$0.217629
17	\$0.270269	\$0.249859	\$0.231073	\$0.213777	\$0.197845
18	\$0.250249	\$0.230285	\$0.211994	\$0.195230	\$0.179859
19	\$0.231712	\$0.212244	\$0.194490	\$0.178292	\$0.163508

Years	8.0%	8.5%	9.0%	9.5%	10.0%
20	\$0.214548	\$0.195616	\$0.178431	\$0.162824	\$0.148644
21	\$0.198656	\$0.180292	\$0.163698	\$0.148697	\$0.135131
22	\$0.183941	\$0.166167	\$0.150182	\$0.135797	\$0.122846
23	\$0.170315	\$0.153150	\$0.137781	\$0.124015	\$0.111678
24	\$0.157699	\$0.141152	\$0.126405	\$0.113256	\$0.101526
25	\$0.146018	\$0.130094	\$0.115968	\$0.103430	\$0.092296

Years	10.5%	11.0%	11.5%	12.0%	12.5%
1	\$0.904977	\$0.900901	\$0.896861	\$0.892857	\$0.888889
2	\$0.818984	\$0.811622	\$0.804360	\$0.797194	\$0.790123
3	\$0.741162	\$0.731191	\$0.721399	\$0.711780	\$0.702332
4	\$0.670735	\$0.658731	\$0.646994	\$0.635518	\$0.624295
5	\$0.607000	\$0.593451	\$0.580264	\$0.567427	\$0.554929
6	\$0.549321	\$0.534641	\$0.520416	\$0.506631	\$0.493270
7	\$0.497123	\$0.481658	\$0.466741	\$0.452349	\$0.438462
8	\$0.449885	\$0.433926	\$0.418602	\$0.403883	\$0.389744
9	\$0.407136	\$0.390925	\$0.375428	\$0.360610	\$0.346439
10	\$0.368449	\$0.352184	\$0.336706	\$0.321973	\$0.307946
11	\$0.333438	\$0.317283	\$0.301979	\$0.287476	\$0.273730
12	\$0.301754	\$0.285841	\$0.270833	\$0.256675	\$0.243315
13	\$0.273080	\$0.257514	\$0.242900	\$0.229174	\$0.216280
14	\$0.247132	\$0.231995	\$0.217847	\$0.204620	\$0.192249
15	\$0.223648	\$0.209004	\$0.195379	\$0.182696	\$0.170888
16	\$0.202397	\$0.188292	\$0.175227	\$0.163122	\$0.151901
17	\$0.183164	\$0.169633	\$0.157155	\$0.145644	\$0.135023
18	\$0.165760	\$0.152822	\$0.140946	\$0.130040	\$0.120020
19	\$0.150009	\$0.137678	\$0.126409	\$0.116107	\$0.106685
20	\$0.135755	\$0.124034	\$0.113371	\$0.103667	\$0.094831
21	\$0.122855	\$0.111742	\$0.101678	\$0.092560	\$0.084294
22	\$0.111181	\$0.100669	\$0.091191	\$0.082643	\$0.074928
23	\$0.100616	\$0.090693	\$0.081786	\$0.073788	\$0.066603
24	\$0.091055	\$0.081705	\$0.073351	\$0.065882	\$0.059202
25	\$0.082403	\$0.073608	\$0.065785	\$0.058823	\$0.052624

Years	13.0%	13.5%	14.0%	14.5%	15.0%
1	\$0.884956	\$0.881057	\$0.877193	\$0.873362	\$0.869565
2	\$0.783147	\$0.776262	\$0.769468	\$0.762762	\$0.756144
3	\$0.693050	\$0.683931	\$0.674972	\$0.666168	\$0.657516
4	\$0.613319	\$0.602583	\$0.592080	\$0.581806	\$0.571753
5	\$0.542760	\$0.530910	\$0.519369	\$0.508127	\$0.497177
6	\$0.480319	\$0.467762	\$0.455587	\$0.443779	\$0.432328
7	\$0.425061	\$0.412125	\$0.399637	\$0.387580	\$0.375937
8	\$0.376160	\$0.363106	\$0.350559	\$0.338498	\$0.326902

Years	13.0%	13.5%	14.0%	14.5%	15.0%
9	\$0.332885	\$0.319917	\$0.307508	\$0.295631	\$0.284262
10	\$0.294588	\$0.281865	\$0.269744	\$0.258193	\$0.247185
11	\$0.260698	\$0.248339	\$0.236617	\$0.225496	\$0.214943
12	\$0.230706	\$0.218801	\$0.207559	\$0.196940	\$0.186907
13	\$0.204165	\$0.192776	\$0.182069	\$0.172000	\$0.162528
14	\$0.180677	\$0.169847	\$0.159710	\$0.150218	\$0.141329
15	\$0.159891	\$0.149645	\$0.140096	\$0.131195	\$0.122894
16	\$0.141496	\$0.131846	\$0.122892	\$0.114581	\$0.106865
17	\$0.125218	\$0.116164	\$0.107800	\$0.100071	\$0.092926
18	\$0.110812	\$0.102347	\$0.094561	\$0.087398	\$0.080805
19	\$0.098064	\$0.090173	\$0.082948	\$0.076330	\$0.070265
20	\$0.086782	\$0.079448	\$0.072762	\$0.066664	\$0.061100
21	\$0.076798	\$0.069998	\$0.063826	\$0.058222	\$0.053131
22	\$0.067963	\$0.061672	\$0.055988	\$0.050849	\$0.046201
23	\$0.060144	\$0.054337	\$0.049112	\$0.044409	\$0.040174
24	\$0.053225	\$0.047874	\$0.043081	\$0.038785	\$0.034934
25	\$0.047102	\$0.042180	\$0.037790	\$0.033874	\$0.030378

**Example: Net Present Value.** A company is evaluating the purchase of a new machine. After all factors, including initial costs, tax savings from depreciation, revenue from additional sales, and taxes on additional revenues, are considered the cash flow from the machine is expected to be as shown in the following table.

If the company has a discount rate of 8.5%, using the net present value table shows whether the new machine would at least cover its financial costs:

<i>Year</i>	<i>Cash Flow</i>	<i>Table Factor</i>	<i>Present Value</i>
1	(\$15,000) x	1.000000 =	(\$15,000.00)
2	\$ 4,300 x	0.921659 =	\$3,963.13
3	\$ 5,300 x	0.849455 =	\$4,502.11
4	\$ 5,300 x	0.782908 =	\$4,149.41
5	\$ 5,300 x	0.721574 =	\$3,824.34
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NPV =			\$ 1,438.99

Since the net present value of the cash flow is positive, the purchase of the new machine would be profitable for Traders.

The second table shows how much a series of \$1 payments, to be paid at the end of each period for a specified number of periods into the future, is currently worth, with interest at different rates, compounded annually. In other words,

the table shows what you should be willing to pay, today, in order to receive a certain series of payments of \$1 each.

To use the table, find the vertical column under your discount. Then find the horizontal row corresponding to the number of the last year you will receive the payment. The point at which the column and the row intersect is your present value of a series of \$1 payments. You can multiply this value by the number of dollars you expect to receive in each payment, in order to find the present value of the series.

An example showing how to use this table to find the Internal Rate of Return of a major purchase or project follows the table.

**Present Worth Of \$1 Per Period  
Payable At End Of Each Period**

<b>Years</b>	<b>3%</b>	<b>3.5%</b>	<b>4%</b>	<b>4.5%</b>	<b>5%</b>
1	\$0.970874	\$0.966184	\$0.961538	\$0.956938	\$0.952381
2	\$1.913470	\$1.899694	\$1.886095	\$1.872668	\$1.859410
3	\$2.828611	\$2.801637	\$2.775091	\$2.748964	\$2.723248
4	\$3.717098	\$3.673079	\$3.629895	\$3.587526	\$3.545951
5	\$4.579707	\$4.515052	\$4.451822	\$4.389977	\$4.329477
6	\$5.417191	\$5.328553	\$5.242137	\$5.157872	\$5.075692
7	\$6.230283	\$6.114544	\$6.002055	\$5.892701	\$5.786373
8	\$7.019692	\$6.873956	\$6.732745	\$6.595886	\$6.463213
9	\$7.786109	\$7.607687	\$7.435332	\$7.268790	\$7.107822
10	\$8.530203	\$8.316605	\$8.110896	\$7.912718	\$7.721735
11	\$9.252624	\$9.001551	\$8.760477	\$8.528917	\$8.306414
12	\$9.954004	\$9.663334	\$9.385074	\$9.118581	\$8.863252
13	\$10.634955	\$10.302738	\$9.985648	\$9.682852	\$9.393573
14	\$11.296073	\$10.920520	\$10.563123	\$10.222825	\$9.898641
15	\$11.937935	\$11.517411	\$11.118387	\$10.739546	\$10.379658
16	\$12.561102	\$12.094117	\$11.652296	\$11.234015	\$10.837770
17	\$13.166118	\$12.651321	\$12.165669	\$11.707191	\$11.274066
18	\$13.753513	\$13.189682	\$12.659297	\$12.159992	\$11.689587
19	\$14.323799	\$13.709837	\$13.133939	\$12.593294	\$12.085321
20	\$14.877475	\$14.212403	\$13.590326	\$13.007936	\$12.462210
21	\$15.415024	\$14.697974	\$14.029160	\$13.404724	\$12.821153
22	\$15.936917	\$15.167125	\$14.451115	\$13.784425	\$13.163003
23	\$16.443608	\$15.620410	\$14.856842	\$14.147775	\$13.488574
24	\$16.935542	\$16.058368	\$15.246963	\$14.495478	\$13.798642
25	\$17.413148	\$16.481515	\$15.622080	\$14.828209	\$14.093945

Years	5.5%	6%	6.5%	7%	7.5%
1	\$0.947867	\$0.943396	\$0.938967	\$0.934579	\$0.930233
2	\$1.846320	\$1.833393	\$1.820626	\$1.808018	\$1.795565
3	\$2.697933	\$2.673012	\$2.648476	\$2.624316	\$2.600526
4	\$3.505150	\$3.465106	\$3.425799	\$3.387211	\$3.349326
5	\$4.270284	\$4.212364	\$4.155679	\$4.100197	\$4.045885
6	\$4.995530	\$4.917324	\$4.841014	\$4.766540	\$4.693846
7	\$5.682967	\$5.582381	\$5.484520	\$5.389289	\$5.296601
8	\$6.334566	\$6.209794	\$6.088751	\$5.971299	\$5.857304
9	\$6.952195	\$6.801692	\$6.656104	\$6.515232	\$6.378887
10	\$7.537626	\$7.360087	\$7.188830	\$7.023582	\$6.864081
11	\$8.092536	\$7.886875	\$7.689042	\$7.498674	\$7.315424
12	\$8.618518	\$8.383844	\$8.158725	\$7.942686	\$7.735278
13	\$9.117079	\$8.852683	\$8.599742	\$8.357651	\$8.125840
14	\$9.589648	\$9.294984	\$9.013842	\$8.745468	\$8.489154
15	\$10.037581	\$9.712249	\$9.402669	\$9.107914	\$8.827120
16	\$10.462162	\$10.105895	\$9.767764	\$9.446649	\$9.141507
17	\$10.864609	\$10.477260	\$10.110577	\$9.763223	\$9.433960
18	\$11.246074	\$10.827603	\$10.432466	\$10.059087	\$9.706009
19	\$11.607654	\$11.158116	\$10.734710	\$10.335595	\$9.959078
20	\$11.950382	\$11.469921	\$11.018507	\$10.594014	\$10.194491
21	\$12.275244	\$11.764077	\$11.284983	\$10.835527	\$10.413480
22	\$12.583170	\$12.041582	\$11.535196	\$11.061240	\$10.617191
23	\$12.875042	\$12.303379	\$11.770137	\$11.272187	\$10.806689
24	\$13.151699	\$12.550358	\$11.990739	\$11.469334	\$10.982967
25	\$13.413933	\$12.783356	\$12.197877	\$11.653583	\$11.146946

Years	8%	8.5%	9%	9.5%	10%
1	\$0.925926	\$0.921659	\$0.917431	\$0.913242	\$0.909091
2	\$1.783265	\$1.771114	\$1.759111	\$1.747253	\$1.735537
3	\$2.577097	\$2.554022	\$2.531295	\$2.508907	\$2.486852
4	\$3.312127	\$3.275597	\$3.239720	\$3.204481	\$3.169865
5	\$3.992710	\$3.940642	\$3.889651	\$3.839709	\$3.790787
6	\$4.622880	\$4.553587	\$4.485919	\$4.419825	\$4.355261
7	\$5.206370	\$5.118514	\$5.032953	\$4.949612	\$4.868419
8	\$5.746639	\$5.639183	\$5.534819	\$5.433436	\$5.334926
9	\$6.246888	\$6.119063	\$5.995247	\$5.875284	\$5.759024
10	\$6.710081	\$6.561348	\$6.417658	\$6.278798	\$6.144567
11	\$7.138964	\$6.968984	\$6.805191	\$6.647304	\$6.495061
12	\$7.536078	\$7.344686	\$7.160725	\$6.983839	\$6.813692
13	\$7.903776	\$7.690955	\$7.486904	\$7.291178	\$7.103356
14	\$8.244237	\$8.010097	\$7.786150	\$7.571852	\$7.366687
15	\$8.559479	\$8.304237	\$8.060688	\$7.828175	\$7.606080
16	\$8.851369	\$8.575333	\$8.312558	\$8.062260	\$7.823709

Years	8%	8.5%	9%	9.5%	10%
17	\$9.121638	\$8.825192	\$8.543631	\$8.276037	\$8.021553
18	\$9.371887	\$9.055476	\$8.755625	\$8.471266	\$8.201412
19	\$9.603599	\$9.267720	\$8.950115	\$8.649558	\$8.364920
20	\$9.818147	\$9.463337	\$9.128546	\$8.812382	\$8.513564
21	\$10.016803	\$9.643628	\$9.292244	\$8.961080	\$8.648694
22	\$10.200744	\$9.809796	\$9.442425	\$9.096876	\$8.771540
23	\$10.371059	\$9.962945	\$9.580207	\$9.220892	\$8.883218
24	\$10.528758	\$10.104097	\$9.706612	\$9.334148	\$8.984744
25	\$10.674776	\$10.234191	\$9.822580	\$9.437578	\$9.077040

Years	10.5%	11%	11.5%	12%	12.5%
1	\$0.904977	\$0.900901	\$0.896861	\$0.892857	\$0.888889
2	\$1.723961	\$1.712523	\$1.701221	\$1.690051	\$1.679012
3	\$2.465123	\$2.443715	\$2.422619	\$2.401831	\$2.381344
4	\$3.135858	\$3.102446	\$3.069614	\$3.037349	\$3.005639
5	\$3.742858	\$3.695897	\$3.649878	\$3.604776	\$3.560568
6	\$4.292179	\$4.230538	\$4.170294	\$4.111407	\$4.053839
7	\$4.789303	\$4.712196	\$4.637035	\$4.563757	\$4.492301
8	\$5.239188	\$5.146123	\$5.055637	\$4.967640	\$4.882045
9	\$5.646324	\$5.537048	\$5.431064	\$5.328250	\$5.228485
10	\$6.014773	\$5.889232	\$5.767771	\$5.650223	\$5.536431
11	\$6.348211	\$6.206515	\$6.069750	\$5.937699	\$5.810161
12	\$6.649964	\$6.492356	\$6.340583	\$6.194374	\$6.053476
13	\$6.923045	\$6.749870	\$6.583482	\$6.423548	\$6.269757
14	\$7.170176	\$6.981865	\$6.801329	\$6.628168	\$6.462006
15	\$7.393825	\$7.190870	\$6.996708	\$6.810864	\$6.632894
16	\$7.596221	\$7.379162	\$7.171935	\$6.973986	\$6.784795
17	\$7.779386	\$7.548794	\$7.329090	\$7.119630	\$6.919818
18	\$7.945146	\$7.701617	\$7.470036	\$7.249670	\$7.039838
19	\$8.095154	\$7.839294	\$7.596445	\$7.365777	\$7.146523
20	\$8.230909	\$7.963328	\$7.709816	\$7.469444	\$7.241353
21	\$8.353764	\$8.075070	\$7.811494	\$7.562003	\$7.325647
22	\$8.464945	\$8.175739	\$7.902685	\$7.644646	\$7.400575
23	\$8.565561	\$8.266432	\$7.984471	\$7.718434	\$7.467178
24	\$8.656616	\$8.348137	\$8.057822	\$7.784316	\$7.526381
25	\$8.739019	\$8.421745	\$8.123607	\$7.843139	\$7.579005

Years	13%	13.5%	14%	14.5%	15%
1	\$0.884956	\$0.881057	\$0.877193	\$0.873362	\$0.869565
2	\$1.668102	\$1.657319	\$1.646661	\$1.636124	\$1.625709
3	\$2.361153	\$2.341250	\$2.321632	\$2.302292	\$2.283225
4	\$2.974471	\$2.943833	\$2.913712	\$2.884098	\$2.854978
5	\$3.517231	\$3.474743	\$3.433081	\$3.392225	\$3.352155

Years	13%	13.5%	14%	14.5%	15%
6	\$3.997550	\$3.942505	\$3.888668	\$3.836005	\$3.784483
7	\$4.422610	\$4.354630	\$4.288305	\$4.223585	\$4.160420
8	\$4.798770	\$4.717735	\$4.638864	\$4.562083	\$4.487322
9	\$5.131655	\$5.037652	\$4.946372	\$4.857714	\$4.771584
10	\$5.426243	\$5.319517	\$5.216116	\$5.115908	\$5.018769
11	\$5.686941	\$5.567857	\$5.452733	\$5.341404	\$5.233712
12	\$5.917647	\$5.786658	\$5.660292	\$5.538344	\$5.420619
13	\$6.121812	\$5.979434	\$5.842362	\$5.710344	\$5.583147
14	\$6.302488	\$6.149281	\$6.002072	\$5.860563	\$5.724476
15	\$6.462379	\$6.298926	\$6.142168	\$5.991758	\$5.847370
16	\$6.603875	\$6.430772	\$6.265060	\$6.106339	\$5.954235
17	\$6.729093	\$6.546936	\$6.372859	\$6.206409	\$6.047161
18	\$6.839905	\$6.649283	\$6.467420	\$6.293807	\$6.127966
19	\$6.937969	\$6.739456	\$6.550369	\$6.370137	\$6.198231
20	\$7.024752	\$6.818904	\$6.623131	\$6.436801	\$6.259331
21	\$7.101550	\$6.888902	\$6.686957	\$6.495023	\$6.312462
22	\$7.169513	\$6.950575	\$6.742944	\$6.545871	\$6.358663
23	\$7.229658	\$7.004912	\$6.792056	\$6.590281	\$6.398837
24	\$7.282883	\$7.052786	\$6.835137	\$6.629066	\$6.433771
25	\$7.329985	\$7.094965	\$6.872927	\$6.662940	\$6.464149

**Example: Internal Rate of Return.** A company is planning to invest in a new control system that will cost \$12,500, but will allow it to save about \$3,500 a year for five years by improving quality control and therefor reducing waste.

To use the annuity tables above to calculate the IRR of the project, you must first calculate the number to look up in the tables. To do this divide the expected net cash outflow (costs) for the project by the expected average annual net cash inflow (savings). In this case, the cost of the project (net cash outflow) is \$12,500, and the average annual net cash inflow is \$3,500.

$$\$12,500 \div \$3,500 = 3.57$$

Then, look at the row corresponding to the number of years (5) that the system will be in use. Look across the rows until you find the number that is closest to the result you found (3.57). Then look at the top of the column in which the closest number was found, to see the interest rate that is the IRR.

In this case the IRR is 12.5%.