

Eg 1 Selling price per unit = ₹50

<u>YEAR</u>	<u>Units</u>
1	1000 unit
2	1000 units
3	1000 units

Inflation Rate = 10% p.a.

Calculate RCF & NCF

① RCF

1	50000
2	50000
3	50000

② NCF

<u>YEAR</u>	<u>CF</u>
1	55000
2	60500
3	66550

Eg 2

YEAR

RCF

1

60000

2

70000

3

50000

Inflation Rate = 5% p.a.
NCF = ?

YEAR

NCF

1

63000

2

77175

3

57881

Eg 3

<u>YEAR</u>	<u>NCF</u>
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1	80000
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2	60000
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3	40000
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Inflation Rate = 5% p.a.

Calculate RCF

RCF

$$1 \quad \frac{80000}{(1.05)^1} = 76190$$

$$2 \quad \frac{60000}{(1.05)^2} = 54422$$

$$3 \quad \frac{40000}{(1.05)^3} = 34554$$

Eg 4

YEAR

RCF

1

32000

2

40000

3

25000

Inflation Rate

1 10%

2 9%

3 12%

Calculate NCF

NCF

1 YEAR

$$32000(1.10) = 35200$$

2 YEAR

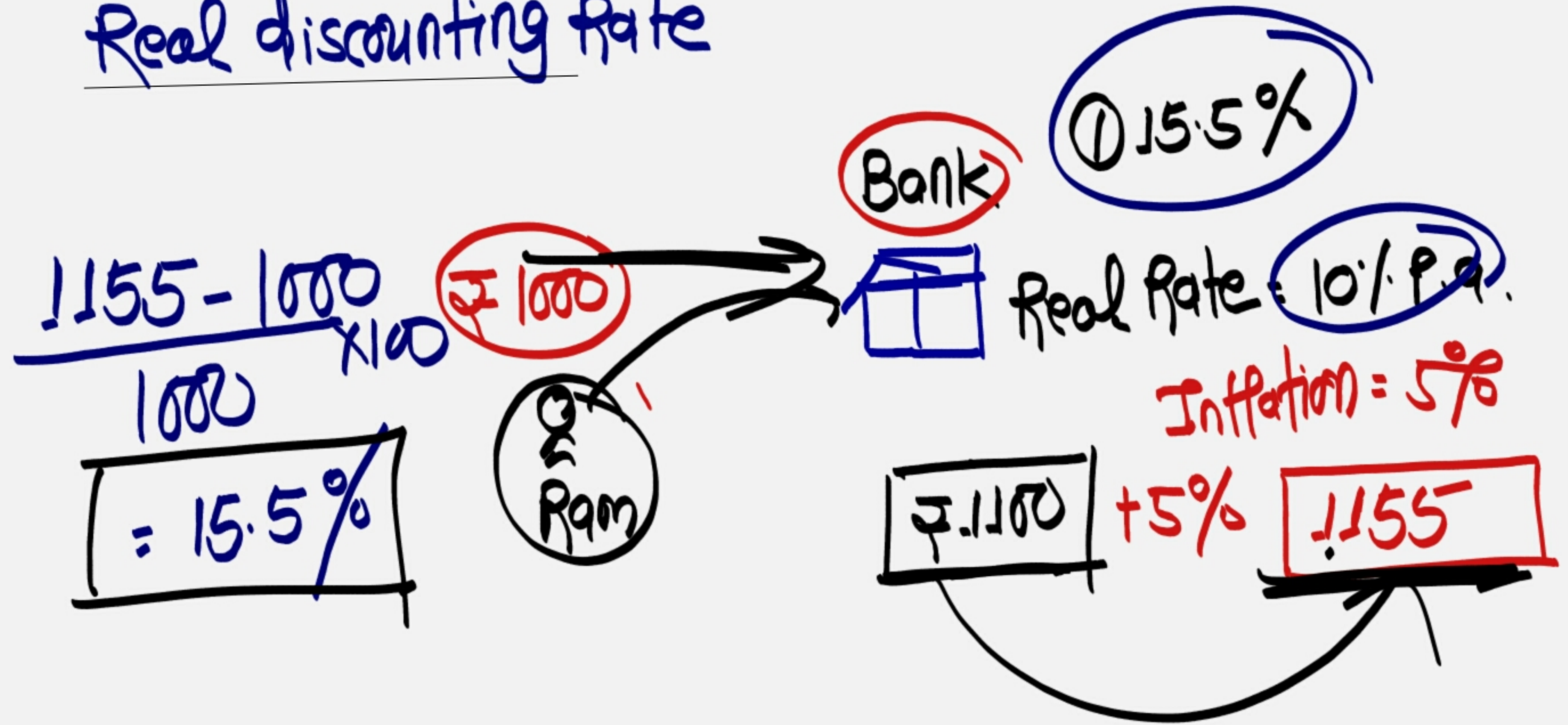
$$40000(1.10)(1.09) = 47960$$

3 YEAR

$$25000(1.10)(1.09)(1.12) = 33572$$

② Real Cost of Capital & Nominal Cost of Capital

Calculation of Nominal discounting Rate from
Real discounting Rate



FORMULA

$$NDR = [(1 + RDR)(1 + i)] - 1$$

Factor x factor

Eg 1 RDR = 17%
Inflation Rate = 4%

NDR = ?

$$NDR = [(1.17)(1.04) - 1] \times 100 = 21.68\%$$

Eg 2
NDR = 18%
Inflation = 5%

$$RDR = \left(\frac{1.18}{1.05} - 1 \right) \times 100$$
$$= 12.38\%$$