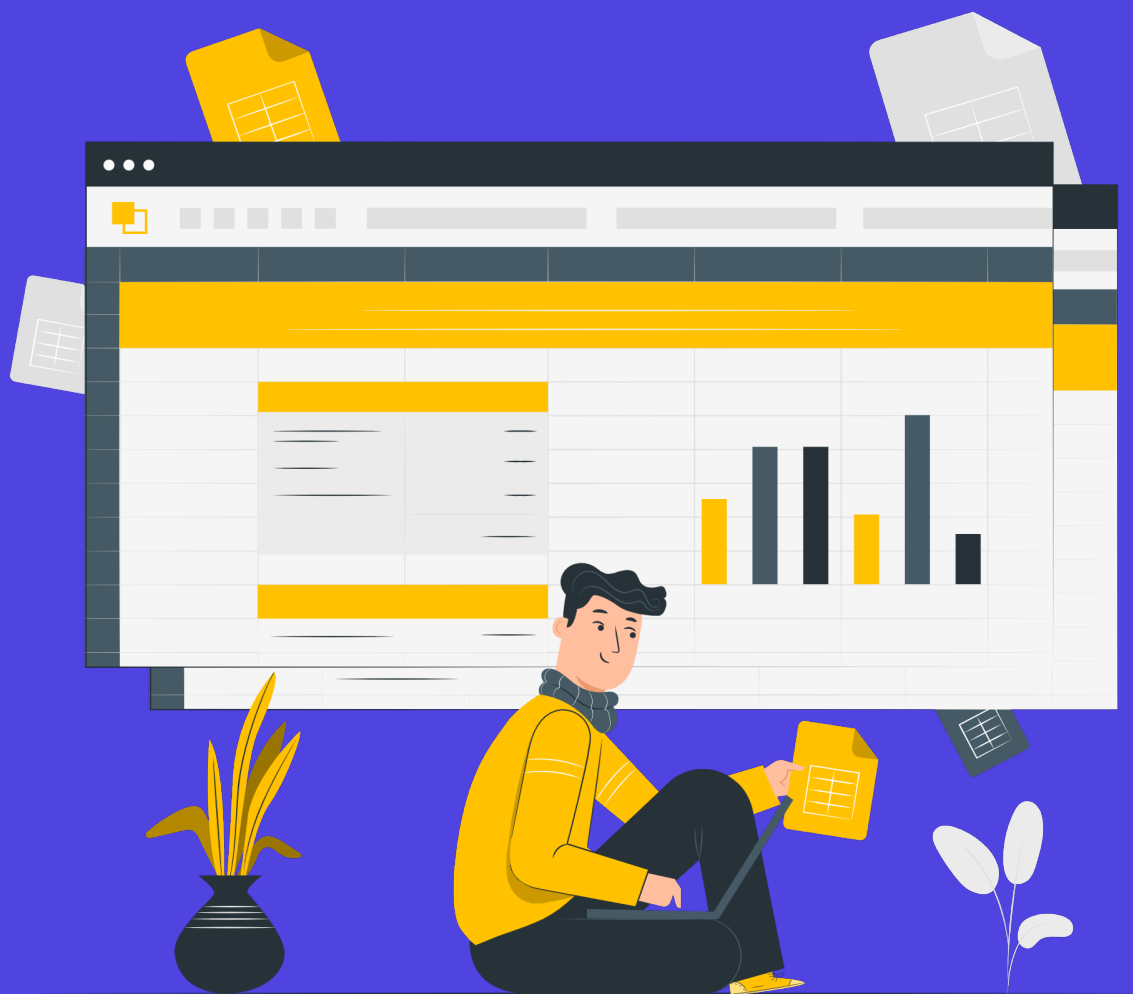


“Modelling In Excel -II”

Pre Read



Relevel
by Unacademy

We will learn about the following topics in this class:

- Business Models - Financial Model

We will be practising how business models work with the help of some formulas used in financial modelling.

PMT

It is one of the financial functions used to calculate the payment for a loan based on constant payments and constant interest rates.

Syntax -> PMT(rate, Nper, PV, [FV], [type])

| | | |
|-------------|----------|--|
| Rate | Required | The interest rate for the loan. |
| Nper | Required | The total number of payments for the loan; The number of periods. |
| PV | Required | The present value, or the total amount that a series of future payments is worth now is also the principal. |
| FV | Optional | You want to attain the future value or a cash balance after making the last payment. If FV is omitted, it is assumed to be 0 (zero); that is, the future value of a loan is 0. |
| Type | Optional | The number 0 (zero) or 1 indicates when payments are due. |

| Set type equal to | |
|-------------------|--------------------------------|
| 0 | At the end of the period |
| 1 | At the beginning of the period |

Ensure that the units you use to specify the rate and Nper are consistent. If you're making monthly payments on a four-year loan with an annual interest rate of 12%, use 12%/12 for the rate and 4*12 for the Nper. If you're making annual payments on the same loan, use 12% for the rate and 4% for the Nper.

IPMT

It returns the interest payment for a given period for an investment based on periodic, constant payments and a constant interest rate.

Syntax -> IPMT(rate, per, Nper, PV, [FV], [type])

| | | |
|-------------|----------|---|
| Rate | Required | The interest rate for the loan. |
| Per | Required | The period for which you want to find the interest must be in the range 1 to Nper. |
| Nper | Required | The total number of payment periods in an annuity. |
| Pv | Required | The present value, or the lump-sum amount that a series of future payments is worth right now. |
| Fv | Optional | The future value, or a cash balance you want to attain after the last payment is made. If fv is omitted, it is assumed to be 0 (the future value of a loan, for example, is 0). |

| Set type equal to | |
|-------------------|--------------------------------|
| 0 | At the end of the period |
| 1 | At the beginning of the period |

PPMT

It returns the payment on the principal for a given period for an investment based on periodic, constant payments and a constant interest rate.

Syntax -> PPMT(rate, per, Nper, PV, [FV], [type])

| | | |
|-------------|----------|---|
| Rate | Required | The interest rate for the loan. |
| Per | Required | The period for which you want to find the interest must be in the range 1 to Nper. |
| Nper | Required | The total number of payment periods in an annuity. |
| Pv | Required | The present value, or the lump-sum amount that a series of future payments is worth right now. |
| Fv | Optional | The future value, or a cash balance you want to attain after the last payment is made. If fv is omitted, it is assumed to be 0 (the future value of a loan, for example, is 0). |

| Set type equal to | |
|-------------------|--------------------------------|
| 0 | At the end of the period |
| 1 | At the beginning of the period |

These concepts will be covered in class in detail with the help of examples in excel.