

FIN-511 Chapter 7

- Major Topics:
- Time Value of Money
 - Future Value
 - Present Value
 - Annuities
 - Unequal cash flows
 - Yields

Financial Functions

- Future Value
 - FV(Rate, NPer, Pmt, PV, Type)
- Where (typical notation):
 - Rate = interest rate per period
 - NPer = total number of periods
 - Pmt = annuity payment
 - PV = present value
 - FV = future value
 - Type = annuity payments at beginning of period (annuity due, type = 1) or end of period (std annuity, type = 0)

Financial Functions

- Future Value
 - FV(Rate, NPer, Pmt, PV, Type)
- Present Value
 - PV (Rate, NPer, Pmt, FV, Type)
- Annuity Payment
 - PMT (Rate, NPer, PV, FV, Type)
- Number of Periods
 - NPER (Rate, Pmt, PV, FV, Type)

Financial Functions

- Yield of an Annuity
 - Rate (NPer, Pmt, PV, FV, Type, Guess)
- Present Value of unequal cash flows
 - NPV (Rate, Value1, Value2,)
- Yield of unequal cash flows
 - IRR (Values, Guess)
- Raise e to a power
 - EXP (Number)

Notes to Financial Functions

- NPV starts with year 1
- IRR starts with year 0
- e = EXP (number) is used for continuous compounding, where
- $FV = PV (e^{in})$

• Assignment:

- Do all of the work in the chapter, final result should look like Exhibits 7-2 thru 8, 10 thru 12,14 and the graph on 7-14 (all exhibits except 1, 9, 13). Include **completed** spreadsheets with all financial functions (note that some final cells are left blank in the text, but you are to complete them). Include continuous on Ex. 7-14, table and bar graph. When they change numbers, change them back so your printouts look like the exhibits.
- Format exactly like in the text.
- Remember Columns/Rows/Gridlines
- Each person will turn in one set of information: print out of spreadsheet and print out of cell formulas
- Work is individual.
- Due at the beginning of class