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EQUATED AMOUNT OF INSTALLMENTS USING MS-EXCEL 2010

Dr. Hem Chand Jain [*]
Dr. Aruna Jain[**]

Abstract

In finance, a loan is the lending of money from one individual, organization or entity to another individual, organization or entity at an interest rate, to be repaid in given periodicity. In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money, called installment, to the lender at a later time. Repayment is the act of paying back money previously borrowed from the lender. Repayment usually takes the form of periodic payments that normally include part principal plus interest in each payment. The most typical loan payment type is the fully amortizing payment in which each monthly rate has the same value over time. In the MS-Excel 2010 the equated amount of installments can be computed by entering the relevant formula. Besides this the MS-Excel 2010 has built in functions (PMT, IPMT, PPMT, CUMPRINC, and CUMIPMT) to compute equated amount of installments. The PMT function calculates the payment for a loan based on constant payments and a constant interest rate. The PPMT function returns the payment on the principal for a given period for an investment based on periodic, constant payments and a constant interest rate. The IPMT function returns the interest payment for a given period for an investment based on periodic, constant payments and a constant interest rate. The CUMPRINC function returns the cumulative principal paid on a loan between start-period and end-period. The CUMIPMT function returns the cumulative interest paid on a loan between start-period and end-period. With the help of these built in functions the equated amount of installments can be computed quickly and easily. This paper describes the procedures of computing equated amount of installments with the help of these built in functions.

Keywords: *Equated Amount of Installment, PMT, IPMT, PPMT, CUMPRINC, CUMIPMT.*

Introduction

In finance, a loan is the lending of money from one individual, organization or entity to another individual, organization or entity at an interest rate, to be repaid in given periodicity. In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money, called installment, to the lender at a later time. The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. Acting as a provider of loans is one of the principal tasks for financial institutions such as banks and credit card companies. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. Repayment is the act of paying back money previously borrowed from the lender. Repayment usually takes the form of periodic payments that normally include part principal plus interest in each payment. The most typical loan payment type is the

[*] Associate Professor, Department of Commerce, Deen Dayal Upadhyaya College, University of Delhi and An Associate Member of the Institute of Cost and Works Accountants of India.
[**] Associate Professor, Department of Computer Science, Bharati College, University of Delhi, Delhi.