



# ICAEW Excel 10 PV

In this video, I'm going to talk to you about the PV function in Excel, which will calculate the present value of a stream of future cash flows.

Now, the PV function can only be used if the cash flows do not change over the course of the time periods. So here we've got a simple example. You can see we've got 10 years worth of cash flows and the cash flow is always 300, it does not change. And if the cash flow does not change, we can use the PV function. So these are cash flows out. If we are to discount these cash flows at a discount rate of, well, in this case, four percent. You can see we've got 10 periods and the regular payment is three hundred. So the PV function, you can see this bottom right, it asks for it equals, PV, open brackets, what's the rate, the discount rate, so first of all, with a four percent, comma, number of periods nper, that's going to be the 10, comma, and then what is the regular periodic payment over that time period, which in this case is three hundred. And this should give us the present value of those future cash flows, which is the sum of the present values of all of those future cash flows. So we're effectively discounting the cash flows back to a present value at a rate of four percent and then adding them up.

Let's give it a go equals PV open brackets, what's the rate, well, that's four percent, comma, nper number of periods, that's 10, comma, payment, what is the regular periodic payment in this case, it's 300, it's negative because it's cash out, it's a payment, point to the 300 negative, and then we can just close our brackets and there should give us the present value of those cash flows at a discount rate of four percent. And the answer is two thousand four hundred and thirty three.