How can I perform the NOMINAL function in Excel?

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The NOMINAL function in Excel is a mathematical tool that allows users to calculate the nominal annual interest rate for a given effective annual interest rate and the number of compounding periods per year. This function is useful for financial analysis and planning, as it helps in determining the true interest rate for investments or loans. To perform the NOMINAL function in Excel, the user must enter the effective annual interest rate and the number of compounding periods per year in the designated cells, and then use the "NOMINAL" formula to calculate the nominal annual interest rate. This function can be accessed through the "Formulas" tab in Excel and is a valuable tool for accurate and efficient financial calculations.

This article describes the formula syntax and usage of the **NOMINAL** function in Microsoft Excel.

Description

Returns the nominal annual interest rate, given the effective rate and the number of compounding periods per year.

Syntax

NOMINAL(effect_rate, npery)

The NOMINAL function syntax has the following arguments:

Effect_rate Required. The effective interest rate.

Npery Required. The number of compounding periods per year.

Remarks

Npery is truncated to an integer.

If either argument is nonnumeric, NOMINAL returns the #VALUE! error value.

If effect_rate ≤ 0 or if npery < 1, NOMINAL returns the #NUM! error value.

NOMINAL (effect_rate,npery) is related to EFFECT(nominal_rate,npery) through effective_rate=(1+(nominal_rate/npery))*npery -1.

The relationship between NOMINAL and EFFECT is shown in the following equation:

$$EFFECT = \left(1 + \frac{Nominal\_rate}{Npery}\right)^{Npery} - 1$$