How can I use the YIELDDISC function in Excel to calculate the yield of a security with a discount at maturity?

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July 1, 2024

The YIELDDISC function in Excel is a tool that allows users to calculate the yield of a security that is sold at a discounted price at maturity. This function takes into account the security's face value, discount rate, and maturity date to determine the annual yield. By inputting these values into the function, users can accurately calculate the yield of a discounted security and make informed investment decisions. This feature is particularly useful for those working in the financial sector, as it provides a quick and efficient way to analyze the profitability of potential investments. Overall, the YIELDDISC function in Excel is a valuable tool for calculating the yield of securities with a discount at maturity.

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

Description

Returns the annual yield for a discounted security.

Syntax

YIELDDISC(settlement, maturity, pr, redemption,)

Important: Dates should be entered by using the DATE function, or as results of other formulas or functions. For example, use DATE(2008,5,23) for the 23rd day of May, 2008. Problems can occur if dates are entered as text.

The YIELDDISC function syntax has the following arguments:

Settlement Required. The security's settlement date. The security settlement date is the date after the issue date when the security is traded to the buyer.

Maturity Required. The security's maturity date. The maturity date is the date when the security expires.

Pr Required. The security's price per $100 face value.

Redemption Required. The security's redemption value per $100 face value.

Basis Optional. The type of day count basis to use.

Basis	Day count basis
0 or omitted	US (NASD) 30/360
1	Actual/actual

Basis	Day count basis
2	Actual/360
3	Actual/365
4	European 30/360

Remarks

Microsoft Excel stores dates as sequential serial numbers so they can be used in calculations. By default, January 1, 1900 is serial number 1, and January 1, 2008 is serial number 39448 because it is 39,448 days after January 1, 1900.

The settlement date is the date a buyer purchases a coupon, such as a bond. The maturity date is the date when a coupon expires. For example, suppose a 30-year bond is issued on January 1, 2008, and is purchased by a buyer six months later. The issue date would be January 1, 2008, the settlement date would be July 1, 2008, and the maturity date would be January 1, 2038, which is 30 years after the January 1, 2008, issue date.

Settlement, maturity, and basis are truncated to integers.

If settlement or maturity is not a valid date, YIELDDISC returns the #VALUE! error value.

If pr ≤ 0 or if redemption ≤ 0, YIELDDISC returns the #NUM! error value.

If basis < 0 or if basis > 4, YIELDDISC returns the #NUM! error value.

If settlement ≥ maturity, YIELDDISC returns the #NUM! error value.