FINANCIAL MANAGEMENT FORMULA SHEET (DEC/Jan 2021)

Lump Sum

$FV = PV (1 + r)^{NM}$

Ordinary Annuity

$FVA = I [(1 + r)^{N} - 1]/ r$

Annuity Due

$FVA = \{I [(1 + r)^{N+I} - 1]/ r\} – 1$

Lump Sum

$PV = FV / (1 + r)^{N}$

Ordinary Annuity

$PVA = I [(1 – (1 + r)^{N})]/ r$

Annuity Due

$FVA = \{I [1 - (1 + r)^{N+I} - 1]/ r\} + 1$

Perpetuities

PV = Cash flow/ r

Operating Leverage

Contribution/ EBIT

Financial Leverage

EBIT/ (EBIT – I)

Combined Leverage

Contribution/ (EBIT – I)

Spread of cash limits

$¾(cy^2/i)$

Value of a Right

Current Market Price – Expected Market Price

Earnings Per Share

EAIT/ Number of Ord Shares

Interest Cover

EBIT/ Interest

Gearing Ratio

Debt/ Equity

Cost of Debt

$R (1 – T)/ P_o$

Cost of Debt

$[R(1 – T) + 1/M (FCV - P_o)]/ [½ (FCV + P_o)]$

Cost of Preference Shares

D / P_o

Cost of Equity

$(D_1 / P_o) + g$

Cost of Equity

$R^f + (R^M - R^f)\beta$

Current Ratio

Current Assets / Current Liabilities

Quick Ratio

(Current Assets – Stock)/ Current Liabilities

Stock Holding Period

(Average Stock /Cost of Sales) x 365 days

Debtors Collection Period

(Average Debtors/ Credit Sales) x 365 days

Operating Cycle

Stock Holding Period + Debtors Collection Period

Creditors Payment Period

(Average Creditors / Credit Purchases) x 365 days

Cash Conversion Cycle

Operating Cycle – Creditors Payment Period

Economic Order Quantity

$√ (2RC/ h)$

Co – Variance

SD/ER

Coefficient of Variation

$SD_{ur}/ SD_u X SD_r$

Accounting Rate of Return

Avg Profit/ Avg Investment

Accounting Rate of Return

Avg Profit/ Initial Investment