

FORMULA SHEET

Please note that:

- i. This formula sheet is not intended to be exhaustive (i.e., it does not include every formula or calculation needed for the exam such as constructing and discounting cash flows, finding NPV for a capital investment or merger etc.). You are expected to know the missing formulas by heart.
- ii. Not all the formulas are to be used in the exam. You are expected to know which formula(s) is useful for a given problem.

$$V_{right} = \frac{P_{ex} - P_s}{N}$$

$$r_E = r_A + (r_A - r_D) \frac{D}{E}$$

$$\beta_A = \frac{D}{D+E} \beta_D + \frac{E}{D+E} \beta_E$$

$$WACC = r_A = \frac{D}{D+E} r_D + \frac{E}{D+E} r_E$$

$$\text{Expected return on assets} = r_A = \frac{\text{expected operating income}}{\text{market value of all securities}}$$

$$\frac{1 - T_p}{(1 - T_{pE})(1 - T_c)}$$

$$V_{right} = \frac{P_{cum} - P_s}{N + 1}$$

$$WACC = \frac{D}{D+E} r_D (1 - T_c) + \frac{E}{D+E} r_E$$

$$EOQ = \sqrt{\frac{2 \times \text{Sales} \times \text{Cost per order}}{\text{Carrying cost}}}$$

$$r_i = r_f + \beta_i (r_m - r_f)$$