

# Important Equity Formulas PDF



## Formulas Examples with Units

### List of 19 Important Equity Formulas

#### 1) Altman's Z Score Model Formula ↻

Formula

$$\zeta = 1.2 \cdot A + 1.4 \cdot RE + 3.3 \cdot C + 0.6 \cdot D + 1.0 \cdot E$$

Evaluate Formula ↻

Example

$$264300 = 1.2 \cdot 60000 + 1.4 \cdot 3500 + 3.3 \cdot 40000 + 0.6 \cdot 9000 + 1.0 \cdot 50000$$

#### 2) Capital Allocation Line Formula ↻

Formula

$$ER_P = \left( (ER_{tb} \cdot W_{tb}) + (ER_S \cdot W_S) \right) \cdot 100$$

Evaluate Formula ↻

Example

$$8.4 = \left( (0.03 \cdot 0.30) + (0.10 \cdot 0.75) \right) \cdot 100$$

#### 3) Dividend Coverage Ratio Formula ↻

Formula

$$DCR = \frac{NI - PD}{CD}$$

Example

$$12.125 = \frac{100000 - 3000}{8000}$$

Evaluate Formula ↻

#### 4) Dividend Growth Rate Formula ↻

Formula

$$DGR = \left( \frac{D_2}{D_1} \right) - 1$$

Example

$$22.3333 = \left( \frac{10500}{450} \right) - 1$$

Evaluate Formula ↻

#### 5) Equal Weighting Formula ↻

Formula

$$W_i^E = \frac{1}{N}$$

Example

$$0.0667 = \frac{1}{15}$$

Evaluate Formula ↻



## 6) Ev to Ebitda Ratio Formula

Formula

$$\text{Ev to EB}_{\text{itda}} = \frac{E_v}{\text{EBITDA}}$$

Example

$$1.1603 = \frac{1000001}{861880}$$

Evaluate Formula 

## 7) Fisher Price Index Formula

Formula

$$\text{FPI} = \sqrt{\text{LPI} \cdot \text{PPI}}$$

Example

$$402.4922 = \sqrt{405 \cdot 400}$$

Evaluate Formula 

## 8) Float-Adjusted Market Capitalisation Index Formula

Formula

$$w_i^{\text{fM}} = \frac{f_i \cdot Q_i \cdot P_i}{\sum (x, 1, N, (f_i \cdot Q_i \cdot P_i))}$$

Example

$$0.0667 = \frac{0.85 \cdot 350 \cdot 130}{\sum (x, 1, 15, (0.85 \cdot 350 \cdot 130))}$$

Evaluate Formula 

## 9) Justified Forward Price to Earnings Ratio Formula

Formula

$$\text{JF}_{\text{PE}} = \frac{\frac{D}{\text{EPS}}}{\text{Re} - g}$$

Example

$$1.8\text{E}-7 = \frac{\frac{25}{700}}{200000 - 0.20}$$

Evaluate Formula 

## 10) Laspeyres Price Index Formula

Formula

$$\text{LPI} = \left( \frac{\sum (x, 1, 2, (P_i^F \cdot Q_i^B))}{\sum (x, 1, 2, (P_i^B \cdot Q_i^B))} \right) \cdot 100$$

Example

$$400 = \left( \frac{\sum (x, 1, 2, (40 \cdot 65))}{\sum (x, 1, 2, (10 \cdot 65))} \right) \cdot 100$$

Evaluate Formula 

## 11) Margin Account Value Formula

Formula

$$\text{MAV} = \frac{\text{ML}}{1 - \text{MM}}$$

Example

$$20000 = \frac{12000}{1 - 0.40}$$

Evaluate Formula 

## 12) Margin Call Price Formula

Formula

$$\text{MCP} = P_0 \cdot \left( \frac{1 - \text{IMR}}{1 - \text{MMR}} \right)$$

Example

$$43636.3636 = 120000 \cdot \left( \frac{1 - 0.80}{1 - 0.45} \right)$$

Evaluate Formula 



### 13) Market Capitalization Index Formula

Formula

$$w_i^M = \frac{Q_i \cdot P_i}{\sum (x, 0, N, (Q_i \cdot P_i))}$$

Example

$$0.0625 = \frac{350 \cdot 130}{\sum (x, 0, 15, (350 \cdot 130))}$$

Evaluate Formula 

### 14) Marshall-Edgeworth Price Index Formula

Formula

$$MEI = \frac{LPI + PPI}{2}$$

Example

$$402.5 = \frac{405 + 400}{2}$$

Evaluate Formula 

### 15) Maximum Leverage Ratio Formula

Formula

$$MLR = \frac{1}{IMR}$$

Example

$$1.25 = \frac{1}{0.80}$$

Evaluate Formula 

### 16) Momentum Indicator Formula

Formula

$$M_i = \left( \frac{CP_s}{CP_s^n} \right) \cdot 100$$

Example

$$80 = \left( \frac{28}{35} \right) \cdot 100$$

Evaluate Formula 

### 17) Paasche Price Index Formula

Formula

$$PPI = \left( \frac{\sum (x, 1, 3, (P_i^F \cdot Q_i^F))}{\sum (x, 1, 3, (P_i^B \cdot Q_i^F))} \right) \cdot 100$$

Example

$$400 = \left( \frac{\sum (x, 1, 3, (40 \cdot 100))}{\sum (x, 1, 3, (10 \cdot 100))} \right) \cdot 100$$

Evaluate Formula 

### 18) Price to Cash Flow Ratio Formula

Formula

$$PCFR = \frac{C_{shp}}{O_{cf}}$$

Example

$$2 = \frac{8400000}{4200000}$$

Evaluate Formula 

### 19) Sustainable Growth Rate Formula

Formula

$$SGR = RR \cdot ROE$$

Example

$$3.6 = 0.15 \cdot 24$$

Evaluate Formula 



## Variables used in list of Equity Formulas above

- **A** Working Capital
- **C** Earnings Before Interest and Taxes
- **C<sub>shp</sub>** Current Share Price
- **CD** Common Dividend
- **CP<sub>s</sub>** Closing Price of Particular Stock
- **CP<sub>s</sub><sup>n</sup>** Closing Price of Stock N Days Ago
- **D** Dividend
- **D<sub>1</sub>** Current Year Dividend
- **D<sub>2</sub>** Previous Year Dividend
- **D**. Market Value of Equity
- **DCR** Dividend Coverage Ratio
- **DGR** Dividend Growth Rate
- **E** Total Sales
- **E<sub>v</sub>** Enterprise Value
- **EBITDA** EBITDA
- **EPS** Earnings Per Share
- **ER<sub>p</sub>** Expected Return on Portfolio
- **ER<sub>s</sub>** Expected Return of Stock
- **ER<sub>tb</sub>** Expected Return on Treasury Bill
- **Ev to EB<sub>itda</sub>** Enterprise Value to Ebitda Ratio
- **f<sub>i</sub>** Fraction of Shares Outstanding
- **FPI** Fisher Price Index
- **g** Growth Rate
- **IMR** Initial Margin Requirement
- **JF<sub>pE</sub>** Justified Forward Price to Earnings Ratio
- **LPI** Laspeyres Price Index
- **M<sub>i</sub>** Momentum Indicator
- **MAV** Margin Account Value
- **MCP** Margin Call Price
- **MEI** Marshall Edgeworth Price Index
- **ML** Margin Loan
- **MLR** Maximum Leverage Ratio
- **MM** Maintenance Margin

## Constants, Functions, Measurements used in list of Equity Formulas above

- **Functions: sqrt**, sqrt(Number)  
*A square root function is a function that takes a non-negative number as an input and returns the square root of the given input number.*
- **Functions: sum**, sum(i, from, to, expr)  
*Summation or sigma ( $\Sigma$ ) notation is a method used to write out a long sum in a concise way.*



- **MMR** Maintenance Margin Requirement
- **N** Number of Securities in the Index
- **NI** Net Income
- **O<sub>cf</sub>** Operating Cash Flow
- **P<sub>0</sub>** Initial Purchase Price
- **P<sub>i</sub>** Price of the Security
- **PCFR** Price to Cash Flow Ratio
- **PD** Preferred Dividend
- **Pi<sup>B</sup>** Price in Base Period
- **Pi<sup>F</sup>** Price in Final Period
- **PPI** Paasche Price Index
- **Qi** Number of Shares Outstanding of Security
- **Qi<sup>B</sup>** Quantity in Base Period
- **Qi<sup>F</sup>** Quantity in Final Period
- **Re** Cost of Equity
- **RE** Retained Earnings
- **ROE** Return on Equity
- **RR** Retention Ratio
- **SGR** Sustainable Growth Rate
- **W<sub>S</sub>** Weight of Stock
- **W<sub>tb</sub>** Weight of Treasury Bill
- **Wi<sup>E</sup>** Equal Weighting
- **wi<sup>fM</sup>** Float Adjusted Market Capitalisation
- **wi<sup>M</sup>** Market Capitalization
- **ζ** Zeta Value



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