

# Important Investment Banking Formulas PDF



## Formulas Examples with Units

### List of 14 Important Investment Banking Formulas

#### 1) 401(K) Calculator Formula

Formula

$$KCL = O \cdot (1 + R)^{F \cdot npk} + (FARI) \cdot \left( (1 + R)^{F \cdot npk} \right) - \left( \frac{1}{R} \right)$$

Evaluate Formula 

Example

$$24925.5824 = 100 \cdot (1 + 0.56)^{2 \cdot 6} + (20) \cdot \left( (1 + 0.56)^{2 \cdot 6} \right) - \left( \frac{1}{0.56} \right)$$

#### 2) Adjustable Rate Mortgage Formula

Formula

$$ADRM = \frac{(P \cdot R) \cdot (1 + R)^{np}}{(1 + R)^{np - 1}}$$

Example

$$87360 = \frac{(100000 \cdot 0.56) \cdot (1 + 0.56)^4}{(1 + 0.56)^{4 - 1}}$$

Evaluate Formula 

#### 3) Asset Allocation Formula

Formula

$$AA = 100 - A$$

Example

$$75 = 100 - 25$$

Evaluate Formula 

#### 4) Auto Lease Formula

Formula

$$AUL = \left( \frac{C - RVELT}{L} + (C + RVELT) \cdot M \right)$$

Evaluate Formula 

Example

$$53201.8182 = \left( \frac{200 - 180}{11} + (200 + 180) \cdot 140 \right)$$



## 5) Balloon Mortgage Formula

Formula

$$BM = PV \cdot (1 + R)^n - PT \cdot \left( (1 + R)^n \cdot \frac{1}{R} \right)$$

Evaluate Formula 

Example

$$20466.3092 = 505 \cdot (1 + 0.56)^{12} - 410 \cdot \left( (1 + 0.56)^{12} \cdot \frac{1}{0.56} \right)$$

## 6) Boat Loan Formula

Formula

$$BL = \frac{AMB \cdot R \cdot (1 + R)^{nplo \cdot FR}}{(1 + R)^{nplo \cdot FR} - 1}$$

Example

$$2242.8 = \frac{4005 \cdot 0.56 \cdot (1 + 0.56)^{5 \cdot 8}}{(1 + 0.56)^{5 \cdot 8} - 1}$$

Evaluate Formula 

## 7) Churn Rate for Customers Formula

Formula

$$CRT = \left( \frac{TNCLP}{TNCCBP} \right) \cdot 100$$

Example

$$45.4545 = \left( \frac{250}{550} \right) \cdot 100$$

Evaluate Formula 

## 8) College Savings Formula

Formula

$$CS = \frac{CAR}{\frac{(1 + R)^{np \cdot FIP} - 1}{R}}$$

Example

$$6.0814 = \frac{2245}{\frac{(1 + 0.56)^{4 \cdot 3} - 1}{0.56}}$$

Evaluate Formula 

## 9) Cost of Living Formula

Formula

$$CL = \frac{PCY}{PBX}$$

Example

$$4.0262 = \frac{80525}{20000}$$

Evaluate Formula 

## 10) Fixed Deposit Formula

Formula

$$FD = PRT \cdot \left( 1 + \frac{R}{FIP} \right)^{np \cdot FIP}$$

Example

$$11929.8875 = 1530 \cdot \left( 1 + \frac{0.56}{3} \right)^{4 \cdot 3}$$

Evaluate Formula 

## 11) Home Equity Loan Formula

Formula

$$HEQL = MV - OP$$

Example

$$448000 = 705500 - 257500$$

Evaluate Formula 



## 12) Pension Formula

Formula

$$PN = AS \cdot FP \cdot nw$$

Example

$$9267 = 15445 \cdot 0.04 \cdot 15$$

Evaluate Formula 

## 13) Roth IRA Formula

Formula

$$RI = AMD \cdot (1 + R)^{FIP \cdot np} + I \cdot \frac{\left( (1 + R)^{FIP \cdot np} - 1 \right) \cdot (1 + R)}{R}$$

Example

$$570616.0163 = 2040 \cdot (1 + 0.56)^{3 \cdot 4} + 255 \cdot \frac{\left( (1 + 0.56)^{3 \cdot 4} - 1 \right) \cdot (1 + 0.56)}{0.56}$$

Evaluate Formula 

## 14) Upfront Payment Formula

Formula

$$UPP = P \cdot UFP \cdot NP$$

Example

$$7000 = 100000 \cdot 0.01 \cdot 7$$

Evaluate Formula 



## Variables used in list of Investment Banking Formulas above

- **A** Age of the Individual
- **AA** Asset Allocation
- **ADRM** Adjustable Rate Mortgage
- **AMB** Amount Borrowed
- **AMD** Amount Deposited
- **AS** Average Salary
- **AUL** Auto Lease
- **BL** Boat Loan
- **BM** Balloon Mortgage
- **C** Capitalised Cost
- **CAR** College Amount Required
- **CL** Cost of Living
- **CRT** Churn Rate
- **CS** College Savings
- **F** Frequency of Interest
- **FARI** Fixed Amount Invested at Regular Intervals
- **FD** Fixed Deposit
- **FIP** Frequency of Interest Paid
- **FP** Factor in Terms of Percentage
- **FR** Frequency wherein the loan amount will be repaid
- **HEQL** Home Equity Loan
- **I** Periodical Fixed Amount Invested
- **KCL** 401(K) Calculator
- **L** Term of Lease Period
- **M** Money Factor
- **MV** Market Value of Property
- **n** Frequency of Payments
- **np** Number of Periods
- **NP** Number of Points
- **npk** Number of Periods for 401(k) shall be made
- **nplo** Number of Periods for a Loan Outstanding
- **nw** Number of Years Worked
- **O** Starting Account Balance
- **OP** Outstanding Principal Balance of Loan
- **P** Loan Amount
- **PBY** Prices in Base Year
- **PCY** Prices in Current Year



- **PN** Pension
- **PRT** Principal Amount
- **PT** Payment
- **PV** Present Value of Original Balance
- **R** Rate of Interest per Annum
- **RI** Roth Ira
- **RVELT** Residual Value at End of Lease Term
- **TNCCBP** Total Number of Customers at Beginning of Period
- **TNCLP** Total Number of Customers Lost During Period
- **UFP** Upfront Percentage
- **UPP** Upfront Payment



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