

# Important Strategic Financial Management Formulas PDF



## Formulas Examples with Units

## List of 18 Important Strategic Financial Management Formulas

### 1) Add on Rate Formula ↻

Formula

$$\text{AOR} = \left( \left( \frac{\text{YR}}{d} \right) \cdot \frac{(\text{APMI}) - \text{PV}}{\text{APMI}} \right)$$

Example

$$0.3889 = \left( \left( \frac{7}{15} \right) \cdot \frac{(210) - 35}{210} \right)$$

Evaluate Formula ↻

### 2) Approximate Macaulay Duration Formula ↻

Formula

$$\text{AMYD} = \text{AMD} \cdot (1 + R)$$

Example

$$4.445 = 1.27 \cdot (1 + 2.50)$$

Evaluate Formula ↻

### 3) Change in Price of Full Bond Formula ↻

Formula

$$\% \Delta \text{PV}^{\text{Full}} = \left( - \text{MD}_{\text{Annual}} \cdot \Delta \text{Yield} \right) + \left( \frac{1}{2} \cdot \text{AC} \cdot (\Delta \text{Yield})^2 \right)$$

Example

$$4609.4125 = \left( - 15 \cdot 55 \right) + \left( \frac{1}{2} \cdot 3.593 \cdot (55)^2 \right)$$

Evaluate Formula ↻

### 4) Conversion Parity Price Formula ↻

Formula

$$\text{CPP} = \frac{V_{\text{CS}}}{\text{CR}}$$

Example

$$48.7805 = \frac{1000}{20.5}$$

Evaluate Formula ↻

### 5) Cost of Equity Formula ↻

Formula

$$K = \left( \left( \frac{D_1}{\text{CP}} \right) + (g \cdot 0.01) \right) \cdot 100$$

Example

$$10.0556 = \left( \left( \frac{1.5}{2700} \right) + (10 \cdot 0.01) \right) \cdot 100$$

Evaluate Formula ↻



## 6) Dividend Rate Formula

Formula

$$DR = \left( \frac{DPS}{CP} \right) \cdot 100$$

Example

$$2.963 = \left( \frac{80}{2700} \right) \cdot 100$$

Evaluate Formula 

## 7) Earnings Yield Formula

Formula

$$EY = \left( \frac{EPS}{MPS} \right) \cdot 100$$

Example

$$4 = \left( \frac{120}{3000} \right) \cdot 100$$

Evaluate Formula 

## 8) Earnings Yield using PE Ratio Formula

Formula

$$EY = \left( \frac{1}{PE} \right) \cdot 100$$

Example

$$4 = \left( \frac{1}{25} \right) \cdot 100$$

Evaluate Formula 

## 9) Effective Convexity Formula

Formula

$$EC = \frac{PV_- + PV_+ - (2 \cdot P_0)}{(\Delta C)^2 \cdot P_0}$$

Example

$$1.4522 = \frac{19405 + 470 - (2 \cdot 135)}{(10)^2 \cdot 135}$$

Evaluate Formula 

## 10) Levered Beta Formula

Formula

$$\beta_L = \beta_{UL} \cdot \left( 1 + \left( (1 - t) \cdot \left( \frac{D}{E} \right) \right) \right)$$

Example

$$0.729 = 0.3 \cdot \left( 1 + \left( (1 - 0.35) \cdot \left( \frac{22000}{10000} \right) \right) \right)$$

Evaluate Formula 

## 11) Money Market Discount Rate Formula

Formula

$$MMDR = \left( \frac{YR}{DM} \right) \cdot \frac{FV_{MM} - PV}{FV_{MM}}$$

Example

$$0.4755 = \left( \frac{7}{5} \right) \cdot \frac{53 - 35}{53}$$

Evaluate Formula 

## 12) Price of Bond Formula

Formula

$$PB = FV \cdot (1 + IDR)^{HP}$$

Example

$$127.1314 = 95 \cdot (1 + 0.06)^5$$

Evaluate Formula 



### 13) Price Value of Basis Point Formula

Formula

$$PVBP = \frac{PV_- - PV_+}{2}$$

Example

$$9467.5 = \frac{19405 - 470}{2}$$

Evaluate Formula 

### 14) Share Exchange Ratio Formula

Formula

$$ER = \frac{OPTS}{ASP}$$

Example

$$1.834 = \frac{21.55}{11.75}$$

Evaluate Formula 

### 15) Single Month Mortality Formula

Formula

$$SMM = \frac{PFM}{BMBM - SPR}$$

Example

$$1.294 = \frac{6580}{6030 - 945}$$

Evaluate Formula 

### 16) Unlevered Beta Formula

Formula

$$\beta_{UL} = \frac{\beta_L}{1 + \left( (1 - t) \cdot \left( \frac{D}{E} \right) \right)}$$

Example

$$0.3004 = \frac{0.73}{1 + \left( (1 - 0.35) \cdot \left( \frac{22000}{10000} \right) \right)}$$

Evaluate Formula 

### 17) Value of Right Formula

Formula

$$VOR = \frac{SP - RSP}{n}$$

Example

$$0.4167 = \frac{38 - 35.5}{6}$$

Evaluate Formula 

### 18) Value of Right using New Shares Formula

Formula

$$V = n_{ns} \cdot \frac{MP - IP}{n_{total}}$$

Example

$$1.6 = 30 \cdot \frac{90 - 82}{150}$$

Evaluate Formula 



## Variables used in list of Strategic Financial Management Formulas above

- **% $\Delta$ PV<sup>Full</sup>** Percentage Change in Price of Bond
- **AC** Annual Convexity
- **AMD** Approximate Modified Duration
- **AMYD** Approximate Macaulay Duration
- **AOR** Add on Rate
- **APMI** Amount Paid at Maturity Including Interest
- **ASP** Acquirer's Share Price
- **BMBM** Beginning Mortgage Balance for Month
- **CP** Current Share Price
- **CPP** Conversion Parity Price
- **CR** Conversion Ratio
- **d** Days
- **D** Debt
- **D<sub>1</sub>** Dividend in Next Period
- **DM** Days of Maturity
- **DPS** Dividend per Share
- **DR** Dividend Rate
- **E** Equity
- **EC** Effective Convexity
- **EPS** Earnings per Share
- **ER** Exchange Ratio
- **EY** Earnings Yield
- **FV** Face Value
- **FV<sub>MM</sub>** Face Value of Money Market Instrument
- **g** Dividend Growth Rate
- **HP** Holding Period
- **IDR** Implied Discount Rate
- **IP** Issue Price of New Share
- **K** Cost of Equity
- **MD<sub>Annual</sub>** Annual Modified Duration
- **MMDR** Money Market Discount Rate
- **MP** Market Price
- **MPS** Market Price per Share
- **n** Number of Rights to Buy a Share
- **n<sub>ns</sub>** Number of New Shares
- **n<sub>total</sub>** Total Number of All Shares









- **OPTS** Offer Price for Target's Share
- **$P_0$**  Initial Price of Bond
- **PB** Price of Bond
- **PE** Price-Earnings (PE) Ratio
- **PFM** Prepayment for a Month
- **PV** Present Value of Money Market Instrument
- **$PV_-$**  Price of Bond When Yield is Decreased
- **$PV_+$**  Price of Bond When Yield is Increased
- **PVBP** Price Value of Basis Point
- **R** Rate of Interest
- **RSP** Right Subscription Price
- **SMM** Single Month Morality
- **SP** Stock Price
- **SPR** Scheduled Principal Repayment for Month
- **t** Tax Rate
- **V** Value of Right
- **$V_{CS}$**  Value of Convertible Security
- **VOR** Value of Right per Share
- **YR** Year
- **$\beta_L$**  Levered Beta
- **$\beta_{UL}$**  Unlevered Beta
- **$\Delta C$**  Change in Curve
- **$\Delta Yield$**  Change in Yield



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