

Formulae Sheet - FIN 301 - Test 2

1. Zero Growth Model: $P_0 = D / r_s$
2. Constant Growth Model: $P_0 = \frac{D_1}{r_s - g}$
3. growth rate: $g = RR * ROE$ [note: **g = growth rate, RR = retention rate**]
4. Nominal rate of interest = $r_{nom} = r^* + IP + DRP + LP + MRP$
5. YTM = coupon yield $\pm \Delta(\text{Bond Price})$
6. Expected return = $\hat{r} = \sum p_i * r_i$
7. Standard deviation = $\sigma = [\sum (r_i - \hat{r})^2 p_i]^{1/2}$
8. CAPM: $\hat{r}_i = \hat{r}_{RF} + \beta_i (\hat{r}_m - \hat{r}_{RF})$
9. Effective annual rate $EAR = [1 + APR/m]^m - 1$