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Strategic Financial Management Formulas

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List of 18 Strategic Financial Management Formulas

Strategic Financial Management

1) Add on Rate

Open Calculator

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

ex $$0.388889 = \left(\left(\frac{7}{15}\right) \cdot \frac{(210) - 35}{210}\right)$$

2) Approximate Macaulay Duration

Open Calculator

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

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

3) Change in Price of Full Bond

Open Calculator

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

ex $$4609.412 = (-15 \cdot 55) + \left(\frac{1}{2} \cdot 3.593 \cdot (55)^2\right)$$

4) Conversion Parity Price

Open Calculator

fx $$CPP = \frac{V_{cs}}{CR}$$

ex $$48.78049 = \frac{1000}{20.5}$$

5) Cost of Equity

Open Calculator

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

ex $$10.05556 = \left(\left(\frac{1.5}{2700}\right) + (10 \cdot 0.01)\right) \cdot 100$$

6) Dividend Rate

Open Calculator

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

ex $$2.962963 = \left(\frac{80}{2700}\right) \cdot 100$$

7) Earnings Yield

Open Calculator

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

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

8) Earnings Yield using PE Ratio

Open Calculator

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

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

9) Effective Convexity

Open Calculator

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

ex $$1.452222 = \frac{19405 + 470 - (2 \cdot 135)}{(10)^2 \cdot 135}$$

10) Levered Beta

Open Calculator

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

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

11) Money Market Discount Rate

Open Calculator

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

ex $$0.475472 = \left(\frac{7}{5}\right) \cdot \frac{53 - 35}{53}$$

12) Price of Bond

Open Calculator

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

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

13) Price Value of Basis Point

Open Calculator

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

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

14) Share Exchange Ratio

Open Calculator

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

$$1.834043 = \frac{21.55}{11.75}$$

15) Single Month Mortality

Open Calculator

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

$$1.294002 = \frac{6580}{6030 - 945}$$

16) Unlevered Beta

Open Calculator

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

ex $$0.300412 = \frac{0.73}{1 + \left((1 - 0.35) \cdot \left(\frac{22000}{10000}\right)\right)}$$

17) Value of Right

Open Calculator

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

ex $$0.416667 = \frac{38 - 35.5}{6}$$

18) Value of Right using New Shares

Open Calculator

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

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

Variables Used

- **$\%\Delta PV^{Full}$** 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_1** 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_{MM}** 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
- $\mathbf{MD_{Annual}}$ Annual Modified Duration
- **MMDR** Money Market Discount Rate
- **MP** Market Price
- **MPS** Market Price per Share
- **n** Number of Rights to Buy a Share
- $\mathbf{n_{ns}}$ Number of New Shares
- $\mathbf{n_{total}}$ Total Number of All Shares
- **OPTS** Offer Price for Target's Share
- $\mathbf{P_o}$ 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
- $\mathbf{PV_-}$ Price of Bond When Yield is Decreased
- $\mathbf{PV_+}$ 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
- β_L Levered Beta
- β_{UL} Unlevered Beta
- **ΔC** Change in Curve
- **ΔYield** Change in Yield

Constants, Functions, Measurements used

Check other formula lists

- Banking Formulas
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