



Strategic Financial Management Formulas

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List of 18 Strategic Financial Management **Formulas**

Strategic Financial Management 🗗

1) Add on Rate

$$oldsymbol{AOR} = \left(\left(rac{\mathrm{YR}}{\mathrm{d}}
ight) \cdot rac{(\mathrm{APMI}) - \mathrm{PV}}{\mathrm{APMI}}
ight)$$

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- 2) Approximate Macaulay Duration 🖸
- $\mathbf{K} \mid \mathbf{AMYD} = \mathbf{AMD} \cdot (1 + \mathbf{R})$

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- $ex 4.445 = 1.27 \cdot (1 + 2.50)$
- 3) Change in Price of Full Bond G

$$\sqrt[\% \Delta ext{PV}^{ ext{Full}} = (- ext{MD}_{ ext{Annual}} \cdot \Delta ext{Yield}) + \left(rac{1}{2} \cdot ext{AC} \cdot \left(\Delta ext{Yield}
ight)^2
ight)$$

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

fx



4) Conversion Parity Price

 $|\mathbf{CPP} = \frac{V_{cs}}{CP}$

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

5) Cost of Equity

 $\mathbf{K} = \left(\left(rac{\mathrm{D_1}}{\mathrm{CP}}
ight) + \left(\mathrm{g} \cdot 0.01
ight)
ight) \cdot 100$

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

6) Dividend Rate

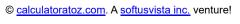
 $DR = \left(\frac{DPS}{CP}\right) \cdot 100$

7) Earnings Yield

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

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







8) Earnings Yield using PE Ratio 🖸

 $\mathbf{E}\mathbf{Y} = \left(\frac{1}{PE}\right) \cdot 100$

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

9) Effective Convexity

 $ext{EC} = rac{ ext{PV}_{ ext{-}} + ext{PV}_{ ext{+}} - (2 \cdot ext{P}_{ ext{o}})}{\left(\Delta ext{C}
ight)^2 \cdot ext{P}_{ ext{o}}}$

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

10) Levered Beta

 $eta_{
m L} = eta_{
m UL} \cdot \left(1 + \left((1-{
m t}) \cdot \left(rac{
m D}{
m E}
ight)
ight)$

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

11) Money Market Discount Rate

 $ext{MMDR} = \left(rac{ ext{YR}}{ ext{DM}}
ight) \cdot rac{ ext{FV}_{ ext{MM}} - ext{PV}}{ ext{FV}_{ ext{MM}}}$



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12) Price of Bond

extstyle ext

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 $27.1314 = 95 \cdot (1 + 0.06)^5$

13) Price Value of Basis Point

 $ag{PVBP} = rac{ ext{PV}_{ ext{-}} - ext{PV}_{+}}{2}$

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14) Share Exchange Ratio

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

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15) Single Month Mortality

extstyle ext

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



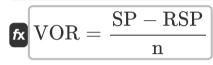
16) Unlevered Beta

$$eta_{
m UL} = rac{eta_{
m L}}{1+ig((1-{
m t})\cdotig(rac{
m D}{
m E}ig)ig)}$$

Open Calculator 🗗

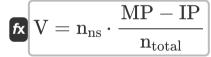
 $\boxed{0.300412 = \frac{0.73}{1 + \left((1 - 0.35) \cdot \left(\frac{22000}{10000} \right) \right)} }$

17) Value of Right



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18) Value of Right using New Shares



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Variables Used

- %ΔPV^{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
- D₁ 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
- 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
- n_{ns} Number of New Shares
- n_{total} Total Number of All Shares
- OPTS Offer Price for Target's Share
- 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
- 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
- β_L Levered Beta
- β_{IJI} Unlevered Beta
- **AC** Change in Curve
- **AYield** Change in Yield





Constants, Functions, Measurements used





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