What do the following stand for? $-PV:$ $-FV:$	Given some PV, a value for $r$ (year period interest rate) and a number of years $t$ , how would you calculate FV?
How would you calcualte $EAR$ (Effective annual rates)?	NPV () is the difference between the market value of a project and its cost.
What is the equation to calculate the NPV? $$	What is Average Accounting Return (AAR) and how do you calculate it?
The is the amount of time required for an investment to generate cash flows sufficient to recover its initial cost.	If two investments are, then taking one of them means that we cannot take the other.

$$FV = PV(1+r)^t$$

What do the following stand for? - PV: Present Value

- FV: Future Value

1

$$EAR = (1 + \frac{r}{m})^m - 1$$

NPV (Net Present Value) is the difference between the market value of a project and its cost.

- r is the quoted rate

- m is the number of compounding per year

are the equation's values.

3

$$NPV = -IO + \sum_{t=1}^{N} \left( \frac{CF_t}{(1+r)^t} \right)$$

 $AAR = \frac{AverageNetIncome}{AverageBookValue}$  The average project earnings after taxes and depreciation, divided by the average book value of the investment during its life.

- IO is the initial investment.
- N & t are number of years and current year respectively.
- r is estimated required return.
- CF is cash flow.

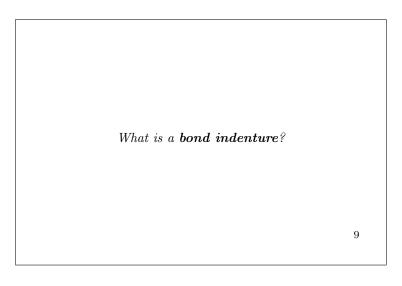
Formula variables

6

5

If two investments are Mutually Exclusive, then taking one of them means that we cannot take the other.

The Payback Period is the amount of time required for an investment to generate cash flows sufficient to recover its initial cost.



 $\begin{tabular}{ll} The \ contract \ between \ company \ and \ the \ bondholders \\ and \ includes: \end{tabular}$ 

- The basic terms of the bonds.
- The total amount of bonds issued.
- A description of property used as security, if applicable.
- Call provisions.
- Details of protective covenants.

Bond Indenture