Formula: Working Capital = Current Assets - Current Liabilities.

## 2. Income Statement Basics

• Net Income Formula: Measures profitability after all expenses. Net Income = Sales - Costs - Depreciation - Interest - Taxes

• Operating Cash Flow (OCF): Tracks cash from core operations. OCF = EBIT + Depreciation - Taxes

## 3. Present Value (PV) Formulas

• Growing Annuity PV: Used for withdrawals increasing annually. PV = (P / (r - g)) \* (1 - ((1 + g) / (1 + r))^n)

• Growing Perpetuity PV: Value of payments growing indefinitely. PV = P / (r - g)

## 4. Working Capital and Net Worth

• Net Working Capital (NWC): Measures short-term financial health. NWC = Current Assets - Current Liabilities

• Shareholders' Equity: Determines owner’s value in the firm. Equity = Assets - Liabilities

## 5. Depreciation Expense

• Depreciation Expense Formula: Used for income statements. Depreciation = EBIT - (Sales - Costs)

## 6. Effective Annual Rate (EAR)

• Formula: EAR accounts for compounding interest. EAR = (1 + r/n)^n – 1 Where: - r: Nominal rate (e.g., 12%) - n: Number of compounding periods (Semi-Annual: n=2, Monthly: n=12, etc.)

## 7. Taxation

• Income Tax Formula: Calculates tax liabilities. Taxes = Taxable Income × Tax Rate Average Tax Rate: Avg Rate = Taxes / Taxable Income Marginal Tax Rate: Rate applied to the next dollar earned. Formula for Income Tax: A white rectangle with black lines

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Income Tax=(9950\*10%+(40525-9950)\*12%+(86375-40525)\*22%+(164925-86375)\*24%+(198000-164925)\*32%)

• Current Ratio: Measures liquidity. Current Ratio = Current Assets / Current Liabilities

• Debt-to-Equity Ratio: Evaluates financial leverage. Debt-to-Equity = Total Debt / Total Equity

• Securities Act of 1933: Ensures investors receive financial disclosures and prevents fraud.

• Securities Exchange Act of 1934: Created the SEC (Securities and Exchange Commission) to regulate markets.

• Sarbanes-Oxley Act of 2002: Implemented stricter corporate governance to prevent fraud post-Enron & WorldCom scandals.

• Dodd-Frank Act of 2010: Increased financial regulations and consumer protections. Created the CFPB (Consumer Financial Protection Bureau).

• Sole Proprietorship: Owner is fully liable; no separation between business and personal assets Partnership: Shared responsibility between partners, but each is personally liable. Limited Partnership (LP): Investors have limited liability, but general partners manage the business and assume risk. Limited Liability Company (LLC): Separates personal and business assets for protection. Corporation: Separate legal entity with limited liability, but subject to double taxation (corporate and shareholder level).