

# F370 Midterm Topic Review

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## Chapter 5

- Compound vs Simple interest
- Time Value of Money
  - Four Variables:
    - \* Present
    - \* Future
    - \* Time
    - \* Interest Rate
- Future Value:  $(1 + r)^t$
- Present Value:  $\frac{1}{(1+r)^t}$
- Lump Sum
- Multiple Cash Flows
- Annuity
- Annuity Due
- Perpetuity:  $PV = PMT/r$
- Loans (Car loans, Mortgage Loans)
  - ‘ $i$ ’ vs. ‘ $r$ ’
  - Payment (Loan is an Annuity)
  - Payoff Balance
  - Value Destruction/Creation
- Annual Percentage Rate (APR)
- Effective Annual Rate (EAR)
- Inflation and Real Interest Rate

## Chapter 6

- Bond details
- Annual vs. Semi-annual
- Bond Prices
- Yield to Maturity
- Interest Rate Risk & Yield Curve
- Our models for Treasury and Corporate Bonds
- Risk Premiums
  - Maturity
  - Default
- Risk Ratings
- Bond Prices & Markets
- Bonds
  - Covenants
  - Collateral
  - Seniority
- Current Yield
- Rate of Return