Final Exam sheet

CH 1

* ROE = PM \* TATO \* EM



CH6

* Current Yield = annual coupon / price
* Yield to maturity = current yield + capital gains yield



Example: 10% coupon bond, with semiannual coupons, face value of 1,000, 20 years to maturity, $1,197.93 price

* Current yield = 100 / 1,197.93 = .0835 = 8.35%
* Price in one year, assuming no change in YTM = 1,193.68
* Capital gain yield = (1,193.68 – 1,197.93) / 1,197.93 = -.0035 = -.35%
* YTM = 8.35 - .35 = 8%

CH 7

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CH 9

* Income Tax = EBIT ×The Firm’s Marginal Corporate Tax Rate
* OCF = R – C – D – T + D
* OCF = EBIT(1-t) + Dep.

= (Rev. – Costs. – Dep.)(1-t) + Dep.

* OCF = (R – C)(1-T) – T\*
* FCF = OCF – NCS – ΔNWC
* FCF = (R - C -D)(1-T) + D - NCS - NWC
* FCF = (R - C)(1-T) + TD -NCS -NWC
* Cash Flow From Assets (CFFA) = OCF – net capital spending (NCS) – changes in NWC
* FCF is also called Cash Flows From Assets (CFFA)