# Finance formula sheet

Finance

A Growing Perpetuity (Gordon model): If the first period's cash flow is $RMI at year 1 and if cash flows thereafter grow at a constant rate of g in perpetuity: A Growing Annuity: The formula for an annuity discounted at an annual rate (I) and where cash flows are growing at an annual rate (g) is as follows: An = 1- {(l+g)n/(l+I)n} x(l+g) Continuous Compounding/Discounting: If 'r' is the continuously compounded rate of interest, the present value of $RMI received in year t' is: Capital Asset Pricing Model (CAMP): The expected risk premium on a risky investment is: r- ref = ц(arm - ref)

Bond Duration and Volatility: Duration of T-period Volatility (modified duration) = Duration/(l Weighted Average Cost of Capital: WAC = rd(1 - + re(E/V) + RPR(PAN) where: rd = expected return on debt, D. re and RPR = expected return on equity, E, and preferred equity, P.