

Exam Formulae

$$K_e \quad (i) \quad r_f + [r_m - r_f] \beta$$

$$(ii) \quad \frac{D_1}{P_0} + g$$

$$WACC \quad K_{eg} \frac{E}{E+D} + K_d (1-t) \frac{D}{E+D}$$

$$IRR = L + \left(\frac{N_L}{N_L - N_H} \right) \times (H - L)$$

Purchasing power parity

$$\text{Current spot rate} \times \frac{1+i_{1st}}{1+i_{2nd}} = \text{Future expected spot rate in one year's time}$$

Corporate beta

$$\beta_e = \frac{\text{Cov}(e, m)}{\sigma_m^2}$$

$$\beta_e = \frac{\rho_{em} \sigma_e}{\sigma_m}$$

$$\beta_a = \beta_e \frac{E}{E + D(1-t)} + \beta_d \frac{D(1-t)}{E + D(1-t)}$$

Economic order quantity

$$Q = \sqrt{\frac{2Co.D}{Ch}}$$