Finance 1000 Cheat Sheet

by vicy12341 via cheatography.com/144393/cs/34721/

Time Value of Money

Discount rate = (1 + R) ^T	exchange rate of time. R is the discount rate, T is is the # of periods
Compounding	Moving money into the future; T > 0 ; Result is called future value
Discounting	Moving money to the past; T < 0 ; Result is present value
Present Value =	Value in the future/ (1 +R) ^ T
Money today is worth more than money tommorow bc money today can be invested	
Steps to apply time value of money	1. Draw a timeline and put cash flows on the line 2. Move cash flows to same period by using discount factor. 3. Once all cash flows are in the same period, we can add/ subtract them
Annuity	Finite cashflows; Equal magnitude; (CF/R) x (1 −(1 +R)^-T)

Annuity

$$PV = \frac{CF}{R}(1 - (1 + R)^{-T})$$