## **FINRA SERIES 7 DUMP SHEET**

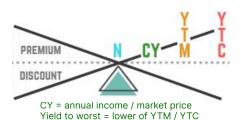
# General information



Long call (right to buy) Short call (obl to sell) Bullish Bearish **MG** = unlimited **MG** = premium Call spread **ML** = premium ML = unlimited **B/E** = strike + premium B/E = strike + premium Hedge for short stock Income w/ long stock Debit = widen / exercise Credit = narrow / expire Long put (right to sell) Short put (obl to buy) Bearish Bullish **MG** = strike - premium **MG** = premium Put spread **ML** = premium ML = strike - premium **B/E** = strike - premium **B/E** = strike - premium Hedge for long stock Income w/ short stock Regulations Securities Act of 1933 = primary market laws Securities Ex. Act of 1934 = secondary market laws Short staddle Long straddle Investment Co. Act of 1940 = mutual fund, UIT laws (volatility) (flat/neutral)

SL o BS BL i SS

Market order = next available price / execution guaranteed Limit order = at specified price or better / price quaranteed Stop order = primarily used to protect / nothing guaranteed Stop limit order = like a stop, but becomes limit after trigger



Cost basis = cost of investment + commission Sales proceeds = proceeds - commission **Earned income** = salary, wages, commissions, bonuses Passive Income = limited partnerships, investment property

Corp/US gov't Muni Must Must OIP: May Must May May SP: May Must

Dividend dates

D - declaration date E - ex-dividend date

R - record date

P - payable date

Settlement Regular-way = T+1 Cash = T (same day) Accrued interest

Corp/muni/agency = 30/360 US gov't = Actual/365

#### Convertible formulas

Conv. ratio = par / conversion price Conv. price = par / conversion ratio

#### Parity price formulas (bonds)

Parity price of bond = stock's mkt price x conv. ratio Parity price of stock = bond's mkt price / conv. ratio

#### Parity price formulas (preferred stock)

Parity price of preferred stock = common stock's mkt price x conv. ratio Parity price of stock = bond's mkt price / conv. ratio

### Tax equivalent yields

Tax-free equivalent vield = corp vield x (100% - tax bracket) Taxable equivalent yield = muni yield / (100% - tax bracket)

### Margin (initial purchases)

Regulation T = 50% of initial purchase Minimum equity = \$2,000

#### Margin minimum maintenance

Long accounts = 25% Short accounts = 30%

#### Other margin formulas

Excess equity = equity - 50% MV (LMV or SMV) LMV at min. maint. = debit / 0.75 SMV at min. maint. = credit / 1.30 Every \$1 LMV goes up, \$0.50 SMA created Every \$1 SMV goes down, \$1.50 SMA created Equity % = equity / MV (LMV or SMV)

## **Mutual fund formulas**

NAV = (assets - liabilities) / shares outstanding **POP** = NAV + sales charge → if sales charge given in \$

**POP** = NAV / (100% - sales charge) → if sales charge given in %

SC% = (POP - NAV) / POP

#### Fundamental analysis

Net worth = assets - liabilities Net working capital = current assets - current liabilities Current ratio = current assets / current liabilities Quick assets = current assets - inventory Quick (acid test) ratio = (current assets - inventory) / current liabilities Debt service coverage ratio = operating income / debt service reg. Earnings per share (EPS) = net earnings / outstanding shares PE ratio = market price / earnings per share (EPS)