Achievable

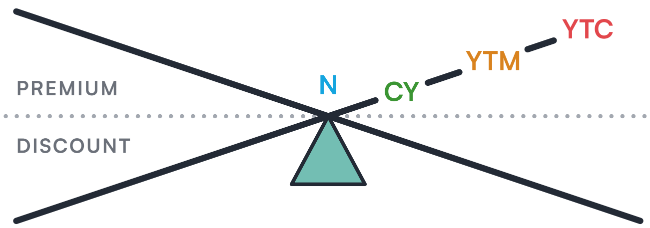
FINRA / NASAA SERIES 7 / 65 / 66 DUMP SHEET

General information

Call & put strategies

Strategy	Outlook	Max gain	Max loss	Breakeven	Used for
Long call (right to buy)	Bullish	Unlimited	Premium	Strike + premium	Hedge for short stock
Short call (obligation to sell)	Bearish	Premium	Unlimited	Strike + premium	Income with long stock (covered call)
Long put (right to sell)	Bearish	Strike – premium	Premium	Strike – premium	Hedge for long stock (protective put)
Short put (obligation to buy)	Bullish	Premium	Strike – premium	Strike – premium	Income with cash, or willingness to buy stock

Yield relationship



- **Discount** (price below par): N < CY < YTM < YTC. **Premium:** the reverse
- **Current yield (CY)** = annual income ÷ market price
- **Yield to worst** = the lower of YTM and YTC

Regulations

- **Securities Act of 1933:** primary market laws
- **Securities Exchange Act of 1934:** secondary market laws
- **Investment Company Act of 1940:** mutual fund and UIT laws

CAPM & alpha

- **CAPM** (systematic risk only): ER = RF + (Beta × (MR – RF))
- **Alpha** = actual return – expected return (ER)
- **Alpha** = (PR – RF) – (Beta × (MR – RF))
- **RF, MR, PR:** risk-free (T-bill), market and portfolio returns
- **Beta** = volatility relative to the market; 1.0 moves with it
- **Positive alpha** = outperformed; **negative** = underperformed

Dividend dates

- **D:** declaration date
- **E:** ex-dividend date
- **R:** record date
- **P:** payable date

Mutual fund formulas

- **NAV** = (assets – liabilities) ÷ shares outstanding
- **POP** = NAV + sales charge, when the sales charge is given in dollars
- **POP** = NAV ÷ (100% – sales charge), when the sales charge is given in percent
- **Sales charge %** = (POP – NAV) ÷ POP

Settlement

- **Regular way:** T+1
- **Cash:** T (same day)

Taxes

- **Cost basis** = cost of investment + commission
- **Sales proceeds** = sale price – commission
- **Earned income:** salary, wages, commissions, bonuses
- **Portfolio income:** dividends, interest, capital gains
- **Passive income:** limited partnerships, investment property

Accrued interest

- **Corporate, municipal, agency:** 30/360
- **US government:** actual/365 (actual/actual)

Market orders

- **Market order:** next available price; execution guaranteed
- **Limit order:** at the specified price or better; price guaranteed
- **Stop order:** used mainly to protect; nothing guaranteed
- **Stop limit order:** like a stop, but becomes a limit order once triggered
- **SLoBS / BLiSS:** sell limits and buy stops sit above the market; buy limits and sell stops below