

FINRA SERIES 7 DUMP SHEET

General information

Long call (right to buy)
Bullish
MG = unlimited
ML = premium
B/E = strike + premium
Hedge for short stock

Short call (obl to sell)
Bearish
MG = premium
ML = unlimited
B/E = strike + premium
Income w/ long stock

→ Call spread

Debit = widen / exercise
Credit = narrow / expire

Long put (right to sell)
Bearish
MG = strike - premium
ML = premium
B/E = strike - premium
Hedge for long stock

Short put (obl to buy)
Bullish
MG = premium
ML = strike - premium
B/E = strike - premium
Income w/ short stock

→ Put spread

↓
Long straddle
(volatility)

↓
Short straddle
(flat/neutral)

Regulations

Securities Act of 1933 = primary market laws
Securities Ex. Act of 1934 = secondary market laws
Investment Co. Act of 1940 = mutual fund, UIT laws

SL o BS
BL i SS

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



CY = annual income / market price
Yield to worst = lower of YTM / YTC

Taxes

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

Mayhammer

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

Dividend dates
D - declaration date
E - ex-dividend date
R - record date
P - payable date

Settlement
Everything = T+1

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

Convertible formulas

Conv. ratio = par / conversion price
Conv. = 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 yield = corp yield 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 req.
Earnings per share (EPS) = net earnings / outstanding shares
PE ratio = market price / earnings per share (EPS)