

# 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

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. = 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)