

NASAA SERIES 65/66 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

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

Taxes

Cost basis = cost of investment + commission

Sales proceeds = proceeds - commission

Earned income = salary, wages, commissions, bonuses

Passive income = limited partnerships, investment property

Tax consequences

Dividends

- Qualified = 0%, 15%, or 20%
- Non-qualified = up to 37%

Interest

- Corporate securities = fed (up to 37%) + state tax
- US gov't = fed (up to 37%) tax, exempt from state tax
- Municipal = exempt from fed & state tax if resident

Capital gains

- Short-term (1 year or less) = up to 37%
- Long-term (>1 year) = 0%, 15%, or 20%

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 equity formulas

LMV - debit = equity

Credit - SMV = equity

Margin minimum maintenance

Long accounts = 25%

Short accounts = 30%

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)

SL o BS Market order = next available price / execution guaranteed
BL i SS 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

Portfolio analysis

Expected return (CAPM) = $RF + ((MR-RF) \times \text{beta})$

Alpha = Actual return - expected return

Sharpe ratio = (Actual return - risk free return) / standard deviation

Total return = All gains and/or losses / original investment

After-tax return = All tax-adjusted gains and/or losses / original investment

Real rate of return = Actual return - inflation rate

Rule of 72

- # of years to double money = 72 / rate of return
- Rate of return needed to double money = 72 / # of years



Descriptive statistics

Mean = average

Median = middle number

Mode = most frequent number

Range = high number - low number