

GLOBAL
EDITION



Corporate Finance

FIFTH EDITION

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COMMON SYMBOLS AND NOTATION

A	market value of assets, premerger total value of acquirer	P_i	price of security i
APR	annual percentage rate	P/E	price-earnings ratio
B	risk-free investment in the replicating portfolio	PMT	annuity spreadsheet notation for cash flow
C	cash flow, call option price	PV	present value; annuity spreadsheet notation for the initial amount
$Corr(R_i, R_j)$	correlation between returns of i and j	q	dividend yield
$Cov(R_i, R_j)$	covariance between returns of i and j	p	risk-neutral probability
CPN	coupon payment	r	interest rate, discount rate of cost of capital
D	market value of debt	R_i	return of security i
d	debt-to-value ratio	R_{mkt}	return of the market portfolio
Div_t	dividends paid in year t	R_p	return on portfolio P
dis	discount from face value	$RATE$	annuity spreadsheet notation for interest rate
E	market value of equity	r_E, r_D	equity and debt costs of capital
EAR	effective annual rate	r_f	risk-free interest rate
$EBIT$	earnings before interest and taxes	r_i	required return or cost of capital of security i
$EBITDA$	earnings before interest, taxes, depreciation, and amortization	r_U	unlevered cost of capital
EPS_t	earnings per share on date t	r_{wacc}	weighted average cost of capital
$E[R_i]$	expected return of security i	S	stock price, spot exchange rate, value of all synergies
E, F_T	one-year and T -year forward exchange rate	$SD(R_i)$	standard deviation (volatility) of return of security i
FCF_t	free cash flow at date t	T	option expiration date, maturity date, market value of target
FV	future value, face value of a bond	U	market value of unlevered equity
g	growth rate	V_t	enterprise value on date t
I	initial investment or initial capital committed to the project	$Var(R)$	variance of return R
Int_t	interest expense on date t	x_i	portfolio weight of investment in i
IRR	internal rate of return	YTC	yield to call on a callable bond
K	strike price	YTM	yield to maturity
k	interest coverage ratio, compounding periods per year	α_i	alpha of security i
L	lease payment, market value of liabilities	β_D, β_E	beta of debt or equity
\ln	natural logarithm	β_i	beta of security i with respect to the market portfolio
MV_i	total market capitalization of security i	β_i^P	beta of security i with respect to portfolio P
N	number of cash flows, terminal date, notational principal of a swap contract	β_U	beta of unlevered firm
N_i	number of shares outstanding of security i	Δ	shares of stock in the replicating portfolio; sensitivity of option price to stock price
$NPER$	annuity spreadsheet notation for the number of periods or dates of the last cash flow	σ	volatility
NPV	net present value	τ	tax rate
P	price, initial principal or deposit, or equivalent present value, put option price	τ_c	marginal corporate tax rate

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