CHEAT SHEETS HERO

Business & Finance Essentials

A concise cheat sheet covering essential concepts and formulas in business and finance, designed for quick reference.

Financial Accounting Basics

Key Financial Statements

Income Statement	Reports a company's financial performance over a specific period through revenues, expenses, gains, and losses. Formula: `Revenue - Expenses = Net Income`
Balance Sheet	A snapshot of a company's assets, liabilities, and equity at a specific point in time. Formula: `Assets = Liabilities + Equity`
Cash Flow Statement	Tracks the movement of cash both into and out of a company over a period of time. Sections: Operating Activities, Investing Activities, Financing Activities

Accounting Equation

The fundamental accounting equation forms the basis for the balance sheet:

`Assets = Liabilities + Equity`

- **Assets**: Resources owned by the company.
- **Liabilities**: Obligations to creditors.
- **Equity**: The owners' stake in the company.

Important Ratios

Current Ratio	Measures a company's ability to pay short-term obligations. Formula: `Current Assets / Current Liabilities`
Debt-to-Equity Ratio	Indicates the proportion of debt and equity used to finance a company's assets. Formula: `Total Debt / Total Equity`
Profit Margin	Shows how much out of each dollar of sales a company actually keeps in earnings. Formula: `Net Income / Revenue`

Corporate Finance

Capital Budgeting

Net Present Value (NPV)	Calculates the present value of expected cash inflows less the present value of expected cash outflows. Formula: `NPV = ∑ (Cash Flow / (1 + Discount Rate)^Period) - Initial Investment`
Internal Rate of Return (IRR)	The discount rate that makes the NPV of all cash flows from a particular project equal to zero. Used to evaluate the attractiveness of a project or investment. Find the rate where `NPV = 0`
Payback Period	The length of time required to recover the cost of an investment. Formula: `Initial Investment / Annual Cash Flow`

Working Capital Management

Managing current assets and current liabilities to ensure a company has enough liquidity to meet its short-term obligations.

Key components include:
- Inventory Management
- Accounts Receivable Management
- Accounts Payable Management

Cost of Capital

Weighted Average Cost of Capital (WACC)	The average rate of return a company expects to compensate all its different investors. Formula: `WACC = (E/V) * Re + (D/V) * Rd * (1 - Tc)` Where: • E = Market value of equity • D = Market value of debt • V = Total value of capital (E + D) • Re = Cost of equity • Rd = Cost of debt • Tc = Corporate tax rate

Investment Analysis

Valuation Metrics

Price-to-Earnings (P/E) Ratio	Compares a company's stock price to its earnings per share. Formula: `Stock Price / Earnings Per Share (EPS)`
Price-to-Book (P/B) Ratio	Compares a company's market capitalization to its book value of equity. Formula: `Stock Price / Book Value Per Share`
Dividend Yield	Measures the return on investment from dividends. Formula: `Annual Dividends Per Share / Stock Price`

Risk and Return

Understanding the relationship between risk and return is crucial for investment decisions.

- **Risk**: The uncertainty of future returns.
- **Return**: The gain or loss on an investment over a period.

Time Value of Money

Present Value (PV)	The current value of a future sum of money or stream of cash flows, given a specified rate of return. Formula: `PV = FV / (1 + r)^n` Where: • FV = Future Value • r = Discount rate • n = Number of periods
Future Value (FV)	The value of an asset or investment at a specified date in the future, based on an assumed rate of growth. Formula: `FV = PV * (1 + r)^n`

Economic Indicators

Key Economic Indicators

GDP (Gross Domestic Product)	The total value of goods and services produced in a country in a year. A primary indicator of economic health. Increased GDP = Economic Growth
Inflation Rate	The rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling. Measured by the Consumer Price Index (CPI)
Unemployment Rate	The percentage of the labor force that is unemployed. Indicates the health of the labor market. Lower Unemployment Rate = Healthier Economy

Monetary Policy

Actions undertaken by a central bank to manipulate the money supply and credit conditions to stimulate or restrain economic activity.

Tools include:

- Interest Rate Adjustments
- Reserve Requirements
- Open Market Operations

Fiscal Policy

Government Spending	Government expenditure on goods and services. Increased spending can stimulate economic growth.
Taxation	Levying taxes to finance government spending. Tax cuts can stimulate consumer spending and investment.