F.A.S.T
first attempt success tutorials

OUTNOTES

UNIQUE STRUCTURED CONCEPT NOTES

CA Final **AFM**
Sept 25 onwards

CMA Final **SFM**
Nov 25 onwards

with
Theory
Topics

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Table of Content

A. Calculations and Ratios

1) Format of Income Statement (IS)

Particulars	*Amount*

Equation of PAT:

2) Earnings Per Share

Earnings Per Share (EPS)

IS extract:

Particulars	*Amount*

n *= Number of equity shares*
In the absence of preference dividend, EAES = PAT.

3) Book Value Per Share

Book-value per Share (BVPS) *is the per share value of equity shareholders in the net assets of the company as per books or balance sheet.*

Equity Shareholders Funds (ESHF) or Net Worth *is the total value of equity shareholders in the net assets of the company as per books or Balance Sheet.*

4) Return on Equity

Return on Equity (ROE) *is the return (profit) earned by the company on the capital of equity shareholders as per books or balance sheet.*

Totality	*Per Share*

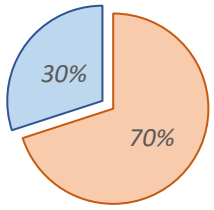
5) Market Price per Share & Market Capitalization

Market Price per Share (MPS) *is the price at which share trades in the market. It tells you the value per share in the market.*

Market Capitalisation (M-Cap) *means total market value of equity shares of the company.*

Example: Justdial Ltd has 1000 equity shares outstanding. Current market price is ₹ 15 per share.

Shareholding Pattern	No. Of shares	Holding %
Promoters	700	70%
General Public	300	30%



Total or Full Market Cap	Free-float Market Cap
It is the total market value of all equity shares of the company.	It is that part of total market cap that is not held by promoters i.e., held by general public
Calculation of M-Cap	

ESHF vs M-cap or BVPS vs MPS:

	Totality Value	Per Share Value
As per market		
As per books		

6) MPS & Price Earnings Ratio

Price Earnings Ratio (PE Ratio): *It tells you 'How many times are the investors ready to pay for every rupee of income earned from the share of a company'. And a lot more…*

Accordingly, ***Market Price Per Share (MPS):***

7) Dividend: Absolute & Percentage

Dividend Per Share (DPS):

Dividend Rate	***Dividend Yield***	***Payout Ratio***	***Retention Ratio***
(as a % of FV)	*(as a % of MPS)*	*(as a % of EPS)*	

Impact of dividend on MPS:

8) Other ratios used in practical questions:

B. Different Types of Rates of Return

1) Required Rate of Return

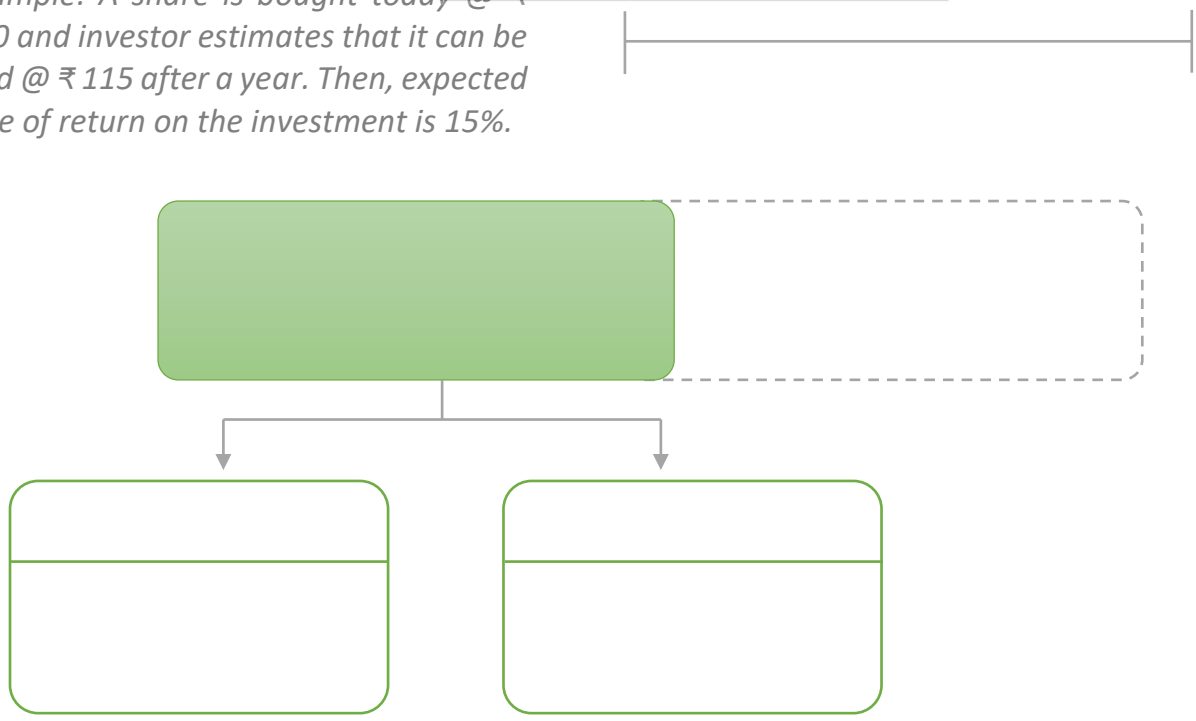
It is the minimum rate of return required to be earned from an investment based on the risk involved in it. Also called as Opportunity Cost, it is used as discounting rate to calculate PV of CFs.

Real Risk-free Rate	***Inflation Premium***	***Risk Premium***
Compensation for allowing use of money to other	*Compensation for loss of purchasing power of money invested*	*Compensation for taking risk while making a risky investment*

2) Expected Rate of Return

It is the rate of return that an investor estimates (expects) that he will earn on an investment in a period of 1 year.

Example: A share is bought today @ ₹ 100 and investor estimates that it can be sold @ ₹ 115 after a year. Then, expected rate of return on the investment is 15%.



3) Internal Rate of Return

It is the discounting rate at which PV of cash inflows from an investment is equals to initial cash outflow. It is calculated to determine the compounded rate of return actually earned (in case of ex-post data) or to be earned (in case of ex-ante data) on any investment.

Example:

Years	CFs (₹)
0	- 100
1	60
2	70

First, we use trial & error method to find the PV of future cash inflows at different rates:

*Then, we use **Interpolation** to find precise IRR:*

Let's verify the return earned:

Year	Amount Invested	Return Accrued	Return received	Due Amount

C. Time Value of Money

1) Interest Rate & Compounding Frequency Interpretations:

Percentage & Decimal	
r = 10%	
r = 10% p.a.	
• *Annually Compounded*	
• *Semi-annually Compounded*	
• *Continuously Compounded*	
r = 5% per for 6 months	
One month rate is 10%	

2) Present Value & Future Value Calculations

Example:

Periods:	*1*	*2*	*3*	*4*
Cash Flows (₹)	*200*	*200*	*200*	*200*

Interest Rate = 10%

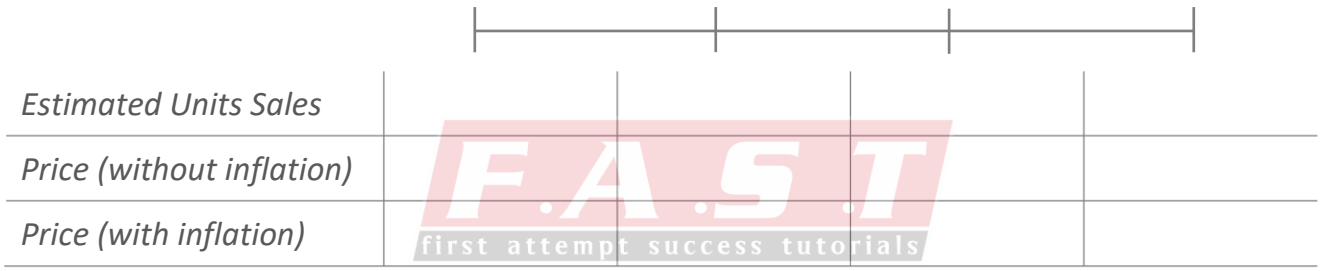
Future Value	*Present Value*
Single Sum	
FV of ₹ 200 of today at the end of 4th year:	*PV today of ₹ 200 of 4th year end:*
FV of ₹ 200 of today at the end of 4th semi-annual period:	*PV today of ₹ 200 of 4th semi-annual period end:*

Annuity (A)	
Regular Annuity: *Assumes CF at the end of the period*	
FV of all CFs at the end of 4th year:	*PV of all CFs today:*
Annuity Due: *Assumes CF at the start of the period*	
FV of all CFs at the end of 4th year:	*PV of all CFs today:*
Perpetuity: *Assumes everlasting CFs*	
FV of infinite CFs of ₹ 200 at the end of period:	*PV of infinite CFs of ₹ 200 today:*

D. Types of Cash Flows

1) Calculation of Cash Flow After Tax (CFAT)

2) Nominal vs Real Cashflows



Nominal Cash Flows	Real Cash Flows
Nominal CFs are the actual CFs the company expects to receive or pay in future with the effect of inflation included in it.	*When effect of inflation is removed from such future CFs, they are called Real CFs. It does not have effect of inflation included in it.*
Relationship between Nominal cash flow and Real cash flow:	
To calculate PV of nominal CFs, nominal discounting rate is used.	*To calculate PV of real CFs, real discounting rate is used.*
Relationship between Nominal and Real discounting rate:	

Meet Adish

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Ex-Morgan Staley & ICICI Securities with
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