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Investment Banking Formulas

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List of 14 Investment Banking Formulas

Investment Banking ⤢

1) 401(K) Calculator ⤢

fx

$$KCL = O \cdot (1 + R)^{F \cdot npk} + (FARI) \cdot \left((1 + R)^{F \cdot npk}\right) - \left(\frac{1}{R}\right)$$

ex $24925.58 = 100 \cdot (1 + 0.56)^{2 \cdot 6} + (20) \cdot \left((1 + 0.56)^{2 \cdot 6}\right) - \left(\frac{1}{0.56}\right)$

2) Adjustable Rate Mortgage ⤢

fx $ADRM = \dfrac{(P \cdot R) \cdot (1 + R)^{np}}{(1 + R)^{np-1}}$

ex $87360 = \dfrac{(100000 \cdot 0.56) \cdot (1 + 0.56)^{4}}{(1 + 0.56)^{4-1}}$

3) Asset Allocation ⤢

fx $AA = 100 - A$

ex $75 = 100 - 25$

4) Auto Lease 🔗

fx **Open Calculator** 🔗

$$AUL = \left(\frac{C - RVELT}{L} + (C + RVELT) \cdot M \right)$$

ex $53201.82 = \left(\frac{200 - 180}{11} + (200 + 180) \cdot 140 \right)$

5) Balloon Mortgage 🔗

fx **Open Calculator** 🔗

$$BM = PV \cdot (1 + R)^n - PT \cdot \left((1 + R)^n - \frac{1}{R} \right)$$

ex $20466.31 = 505 \cdot (1 + 0.56)^{12} - 410 \cdot \left((1 + 0.56)^{12} - \frac{1}{0.56} \right)$

6) Boat Loan 🔗

Open Calculator 🔗

fx $BL = \dfrac{AMB \cdot R \cdot (1 + R)^{nplo \cdot FR}}{(1 + R)^{nplo \cdot FR} - 1}$

ex $2242.8 = \dfrac{4005 \cdot 0.56 \cdot (1 + 0.56)^{5 \cdot 8}}{(1 + 0.56)^{5 \cdot 8} - 1}$

7) Churn Rate for Customers ⤤

fx $\text{CRT} = \left(\dfrac{\text{TNCLP}}{\text{TNCCBP}} \right) \cdot 100$

Open Calculator ⤤

ex $45.45455 = \left(\dfrac{250}{550} \right) \cdot 100$

8) College Savings ⤤

fx $\text{CS} = \dfrac{\text{CAR}}{\frac{(1+\text{R})^{\text{np}\cdot\text{FIP}}-1}{\text{R}}}$

Open Calculator ⤤

ex $6.081419 = \dfrac{2245}{\frac{(1+0.56)^{4\cdot3}-1}{0.56}}$

9) Cost of Living ⤤

fx $\text{CL} = \dfrac{\text{PCY}}{\text{PBY}}$

Open Calculator ⤤

ex $4.02625 = \dfrac{80525}{20000}$

10) Fixed Deposit ⤤

fx $\text{FD} = \text{PRT} \cdot \left(1 + \dfrac{\text{R}}{\text{FIP}} \right)^{\text{np}\cdot\text{FIP}}$

Open Calculator ⤤

ex $11929.89 = 1530 \cdot \left(1 + \dfrac{0.56}{3} \right)^{4\cdot3}$

11) Home Equity Loan 📲

Open Calculator 📲

fx $\boxed{\mathrm{HEQL = MV - OP}}$

ex $\boxed{448000 = 705500 - 257500}$

12) Pension 📲

Open Calculator 📲

fx $\boxed{\mathrm{PN = AS \cdot FP \cdot nw}}$

ex $\boxed{9267 = 15445 \cdot 0.04 \cdot 15}$

13) Roth IRA 📲

Open Calculator 📲

fx
$$\mathrm{RI = AMD \cdot (1 + R)^{FIP \cdot np} + I \cdot \frac{\left((1 + R)^{FIP \cdot np} - 1\right) \cdot (1 + R)}{R}}$$

ex
$$570616 = 2040 \cdot (1 + 0.56)^{3.4} + 255 \cdot \frac{\left((1 + 0.56)^{3.4} - 1\right) \cdot (1 + 0.56)}{0.56}$$

14) Upfront Payment 📲

Open Calculator 📲

fx $\boxed{\mathrm{UPP = P \cdot UFP \cdot NP}}$

ex $\boxed{7000 = 100000 \cdot 0.01 \cdot 7}$

Variables Used

- **A** Age of the Individual
- **AA** Asset Allocation
- **ADRM** Adjustable Rate Mortgage
- **AMB** Amount Borrowed
- **AMD** Amount Deposited
- **AS** Average Salary
- **AUL** Auto Lease
- **BL** Boat Loan
- **BM** Balloon Mortgage
- **C** Capitalised Cost
- **CAR** College Amount Required
- **CL** Cost of Living
- **CRT** Churn Rate
- **CS** College Savings
- **F** Frequency of Interest
- **FARI** Fixed Amount Invested at Regular Intervals
- **FD** Fixed Deposit
- **FIP** Frequency of Interest Paid
- **FP** Factor in Terms of Percentage
- **FR** Frequency wherein the loan amount will be repaid
- **HEQL** Home Equity Loan
- **I** Periodical Fixed Amount Invested
- **KCL** 401(K) Calculator
- **L** Term of Lease Period
- **M** Money Factor

- **MV** Market Value of Property
- **n** Frequency of Payments
- **np** Number of Periods
- **NP** Number of Points
- **npk** Number of Periods for 401(k) shall be made
- **nplo** Number of Periods for a Loan Outstanding
- **nw** Number of Years Worked
- **O** Starting Account Balance
- **OP** Outstanding Principal Balance of Loan
- **P** Loan Amount
- **PBY** Prices in Base Year
- **PCY** Prices in Current Year
- **PN** Pension
- **PRT** Principal Amount
- **PT** Payment
- **PV** Present Value of Original Balance
- **R** Rate of Interest per Annum
- **RI** Roth Ira
- **RVELT** Residual Value at End of Lease Term
- **TNCCBP** Total Number of Customers at Beginning of Period
- **TNCLP** Total Number of Customers Lost During Period
- **UFP** Upfront Percentage
- **UPP** Upfront Payment

Constants, Functions, Measurements used

Check other formula lists

- **Banking Formulas** [↗]
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