CredGuild

FORMULA SHEET

CFA® Program Level I

Corporate Finance Formula Sheet

2027 curriculum · 7 readings · 18 formulas

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Version v2027.3 · October 2026

ABOUT THIS EDITION

CredGuild · CFA® Program Level I · Corporate Finance Formula Sheet
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USING THIS BOOK

This sheet is a revision aid. Use it alongside the notes and the CFA Institute curriculum. The latest version is free at credguild.com.

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Every formula in the CredGuild notes for the 2027 CFA® Program Level I curriculum, Corporate Finance, reading by reading, each with what it is for. Worked numbers are left out. Use it for a last check of the equations; the notes explain where each one comes from.

To learn a reading in full, open its notes at credguild.com. This sheet is free to print and share: credguild.com/cfa/level-1/formula-sheet/

CFA® PROGRAM LEVEL I · FORMULA SHEET

Corporate Finance

Exam weight 6–9% · 4 readings · 18 formulas

20 Organizational Forms, Corporate Issuer Features, and Ownership

Key features of corporate issuers	$$\text{effective tax rate on distributed profit} = t_c + t_d(1 - t_c)$$
Public versus private companies	$$\text{free float (\%)} = \frac{\text{shares outstanding} - \text{shares held by insiders, strategic investors and s}}{\text{shares outstanding}}$$

23 Working Capital and Liquidity

The cash conversion cycle	$$\text{CCC} = \text{DOH} + \text{DSO} - \text{DPO}$$
Trade credit and its cost	$$\text{EAR of supplier financing} = \left(1 + \frac{a}{1-a}\right)^{365/(c-b)} - 1$$
Comparing CCCs	$$\text{total working capital} = \text{current assets} - \text{current liabilities}$$ $$\text{net working capital} = (\text{current assets} - \text{cash and marketable securities}) - (\text{current liabilities} - \text{short-term and current debt})$$
Liquidity ratios	$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$ $$\text{quick ratio} = \frac{\text{cash and marketable securities} + \text{receivables}}{\text{current liabilities}}$$ $$\text{cash ratio} = \frac{\text{cash and marketable securities}}{\text{current liabilities}}$$

24 Capital Investments and Capital Allocation

Net present value (NPV)	$$NPV = CF_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \cdots + \frac{CF_n}{(1+r)^n} = \sum_{t=0}^{n} \frac{CF_t}{(1+r)^t}$$
Internal rate of return (IRR)	$$0 = \sum_{t=0}^{n} \frac{CF_t}{(1+IRR)^t}$$

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Return on invested capital (ROIC)	$ROIC = \frac{\text{NOPAT}}{\text{average book value of invested capital}} = \underbrace{\frac{\text{NOPAT}}{\text{Sales}}}_{\text{operating margin after tax}} \times \underbrace{\frac{\text{Sales}}{\text{average invested capital}}}_{\text{capital turnover}}$
Real options	$\text{Project value} = NPV_{\text{without options}} + \text{value of options} - \text{cost of options}$

25 Capital Structure

Calculating and interpreting the WACC	$WACC = w_d\, r_d(1-t) + w_e\, r_e$
MM Proposition II (no taxes): cost of equity and leverage	$r_e = r_0 + \frac{D}{E}(r_0 - r_d)$
MM with taxes	$V_L = V_U + tD$ $r_e = r_0 + \frac{D}{E}(r_0 - r_d)(1-t)$
Static trade-off theory	$V_L = V_U + tD - PV(\text{costs of financial distress})$

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The sheet is for revision. These are free on the site and do what a PDF cannot:

- **Diagnostic test:** 36 questions weighted like the exam, a score in each topic and the topics to start with. credguild.com/cfa/level-1/diagnostic/
- **Practice questions:** 398 free questions with full explanations, scored as you answer. A free account answers any question in the bank, up to 50 new questions a day. credguild.com/cfa/level-1/practice/
- **Notes:** every reading of the 2027 curriculum, with worked examples and exam traps, on the site and as a PDF. credguild.com/cfa/level-1/notes/
- **Study plan:** pick your exam window and weekly hours and get a week-by-week schedule. credguild.com/cfa/level-1/plan/
- **Mock exam:** 180 questions in two sessions, on the 2027 topic weights; the first one is free with an account. credguild.com/cfa/level-1/mock/
- **Cheat sheet and formula sheet:** every reading's bottom line and every formula, by topic. credguild.com/cfa/level-1/cheat-sheet/

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