

GLOBAL
EDITION



Corporate Finance

FOURTH EDITION

Jonathan Berk • Peter DeMarzo



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GLOBAL PORTFOLIO SIMULATIONS



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 payment for cash flow
C	cash flow, call option price	PV	present value
$Corr(R_i, R_j)$	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, 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
Div_t	dividends paid in year t	R_p	return on portfolio
dis	discount from face value	RATE	annuity payment for interest rate
E	market value of equity	r_E, r_D	equity and debt returns
EAR	effective annual rate	r_f	risk-free interest rate
$EBIT$	earnings before interest and taxes	r_i	required return 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, sum value of all securities
F, F_T	one-year and T -year forward exchange rate	$SD(R_i)$	standard deviation of return of security i
FCF_t	free cash flow at date t	T	option expiration market value
FV	future value, face value of a bond	U	market value of unlevered firm
g	growth rate	V_t	enterprise value at date t
I	initial investment or initial capital committed to the project	$Var(R)$	variance of return
Int_t	interest expense on date t	x_i	portfolio weight of security i
IRR	internal rate of return	YTC	yield to call
K	strike price	YTM	yield to maturity
k	interest coverage ratio, compounding periods per year		

CORPORATE FINANCE

FOURTH EDITION

GLOBAL EDITION

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To Rebecca, Natasha, and Hannah, for the love and for being
To Kauai, Pono, Koa, and Kai, for all the love and laughter

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