

CONTENTS

Preface	ix
Acknowledgments	xiii

PART ONE The Time Value of Money 1

1	Introduction to Finance	3
2	The Time Value of Money	18
	APPENDIX 2.1: Algebraic Present Value Formulas	54
	APPENDIX 2.2: Annuity Formulas in Excel	59
3	Measures for Evaluation of Investment Opportunities	60
4	Loans and Amortization Tables	108
5	Effective Interest Rates	136
6	Capital Budgeting: Valuing Business Cash Flows	175

PART TWO Portfolio Analysis and the Capital Asset Pricing Model 221

7	What Is Risk?	223
8	Statistics for Portfolios	245
	APPENDIX 8.1: Downloading Data from Yahoo	279
9	Portfolio Diversification and Risk	284
	APPENDIX 9.1: Using the Multiple Stock Quote Downloader	297
10	Risk Diversification and the Efficient Frontier	299
	APPENDIX 10.1: Deriving the Formula for the Minimum Variance Portfolio	330
	APPENDIX 10.2: Portfolios with Three or More Assets	331
11	The Capital Asset Pricing Model (CAPM) and the Security Market Line (SML)	337

12	Measuring Investment Performance	375
13	The Security Market Line (SML) and the Cost of Capital	394

PART THREE Valuing Securities 423

14	Efficient Markets—Some General Principles of Security Valuation	425
15	Bond Valuation	456
16	Stock Valuation	508

PART FOUR Options 541

17	Introduction to Options	543
18	Option Pricing Facts and Arbitrage	584
19	Option Pricing—The Black–Scholes Formula	605
	APPENDIX 19.1: Getting Option Information from Yahoo	630
20	The Binomial Option Pricing Model	632

PART FIVE Excel Skills 657

21	Introduction to Excel	659
22	Graphs and Charts in Excel	685
23	Excel Functions	700
24	Using Data Tables	734
25	Using Goal Seek and Solver	748
26	Working with Dates in Excel	757