



ANNOTATION SYMBOLS

Financial Functions

RATIONALE: Everyone knows how to "read between the lines", but only the most active readers "write between the lines". (M. Adler, How To Mark A Book, 1940). Adler lists these five reasons for using annotation.

- Annotation keeps you awake. Wide awake.
- Active reading is thinking, and thinking itself expresses itself in words and symbols.
- Writing helps you remember. An annotated page is reader's chronicle.
- Annotation slows you down, and encourages rereading.

TOPIC: Next to the problem number, record the financial topic label.

R = Retirement; \$ quantification of future needs and implementing a strategy to meet them.

L = Loan; determine payment, an amount that can be borrowed, loan term or remaining balance.

B = Bond; determine the current value or rate of return for a bond.

RE = Real Estate; determine the current value or rate of return for an income property.

IP = Income Projection; \$ quantification of income for one or more periods.

OUTPUT FUNCTION: Place a square around the key word or phrase that identifies the output function. Next to this square, label the Excel formula that must be evaluated to answer the question.

INPUT VALUES: Place circles around each of the key words or phrases that identify the inputs required for evaluation of the output function.

INPUT TYPES: Underline the numeric values associated with each input quantity. Label each numeric values that is relevant to answering the question.

PV = Present Value; one amount expressed in current dollars.

FV = Future Value; one amount expressed in a future dollar equivalent.

PMT = Payment; fixed amount paid or received every period.

Rate = Rate; compounded rate where amount per period stays the same over the holding period.

IRR = Internal Rate of Return; compounded rate where the amount per period changes.

NPV = Net Present Value; current valuation where income changes over the holding period.

n = **nper** = number of periods; length of time, note time increment (day, month, year).

A = Amortization; remaining balance of a loan or asset.