Learning Module 2: Fixed-Income Cash Flows and Types

Fixed Income

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Fully Amortizing Loan

$$A = \frac{r \times \text{ Principal}}{1 - (1 + r)^{-N}} \tag{1}$$

where:

- A = Periodic payment
- r = Market interest rate per period
- Principal = Principal amount of loan or bond

- N = Number of payment periods

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```
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Where:

- The conversion ratio represents the number of common shares a bond may be converted into for a specific par value.

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Where:

- The conversion value is one way to estimate the value of the conversion feature at any time is to compare the convertible bond's price with its value if the bondholder were to convert the bonds today.

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