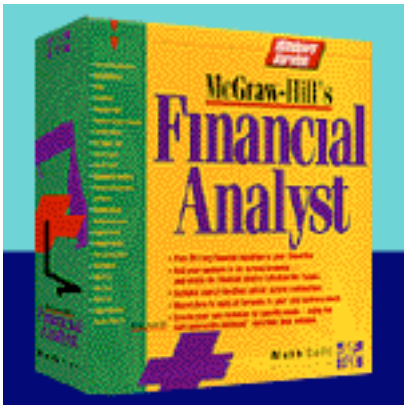
McGraw-Hill's Financial Analyst



Platform: Windows
Requires: 4 MB hard disk space; includes the Mathcad Engine
Available for ground shipment

The power of MathSoft's Mathcad engine has been added to the 201 top financial tools contained in the best-selling McGraw-Hill's Pocket Guide to Business Finance. The result is a powerful, easy to use and elegantly interactive business finance software tool. Just plug in your own figures and watch the Financial Analyst calculate cash flow, profit margin, return on investment and sales variances. There are close to 200 additional analyses as well. You can even incorporate data from your favorite Windows spreadsheet programs to make better informed financial decisions.

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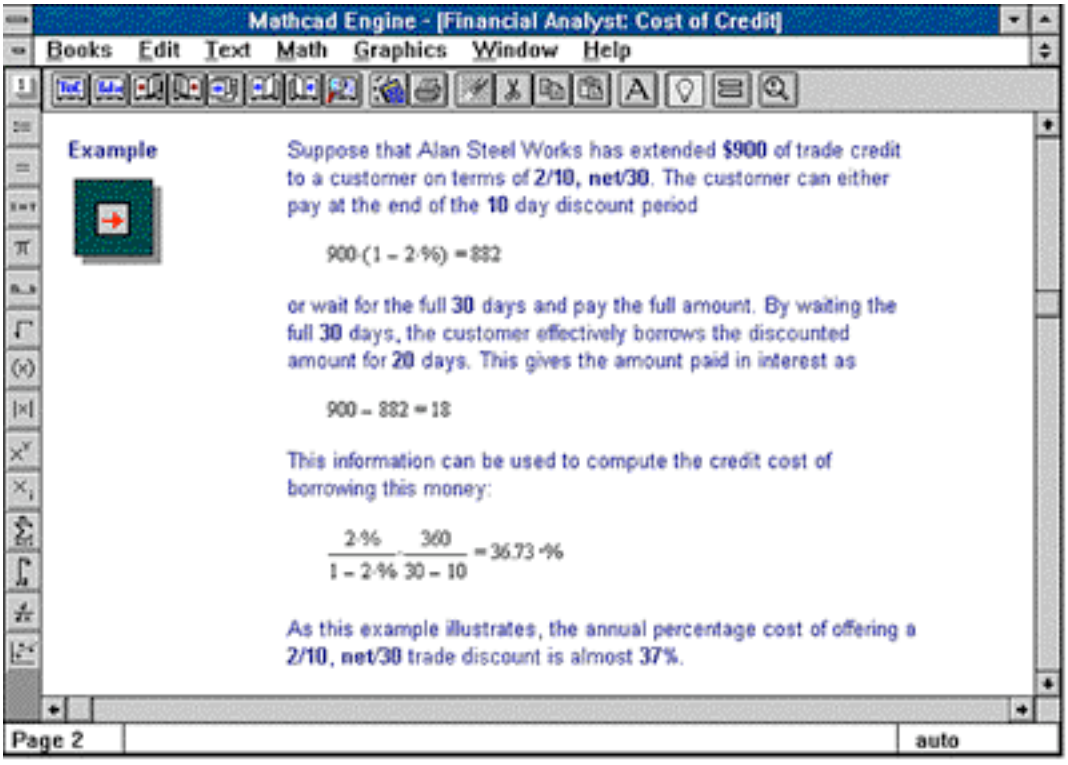

Compute the annual percentage of offering 2/10, net/30 trade discount on a particular amount to see the cost benefit to you.

Topics include: Corporate Finance, Investment Management, Budgeting, Inventory Control,Accounts Payable, Ratios, Bond Yield, Cost of Capital, Foreign Exchange Gains and Losses, and more.

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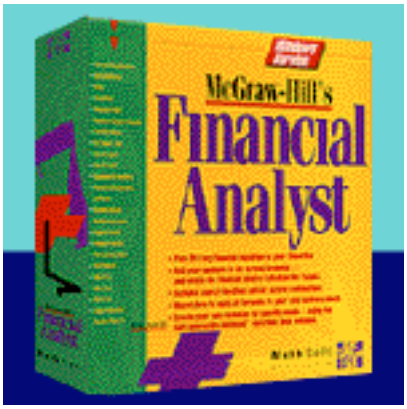

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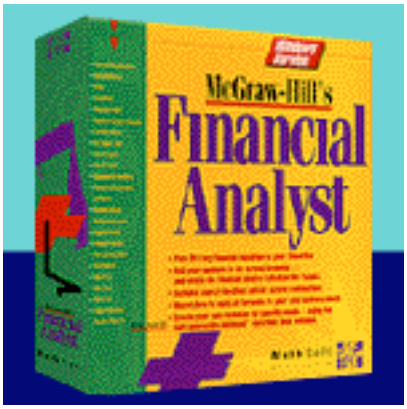

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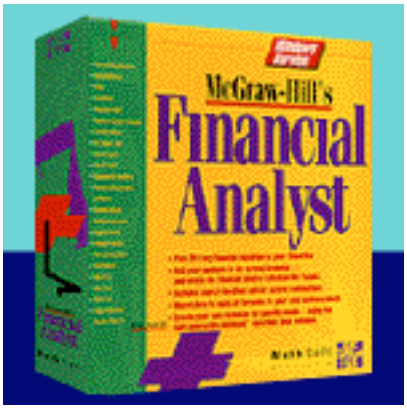

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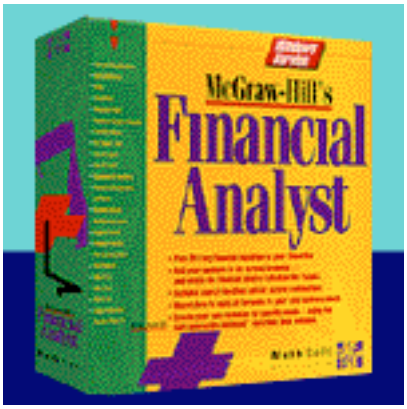

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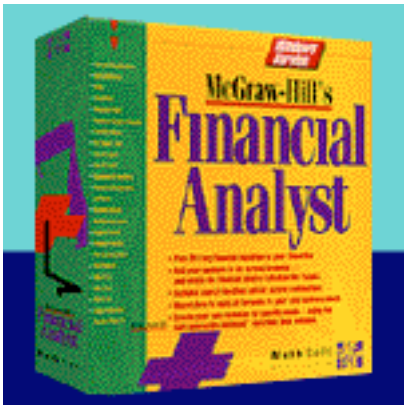

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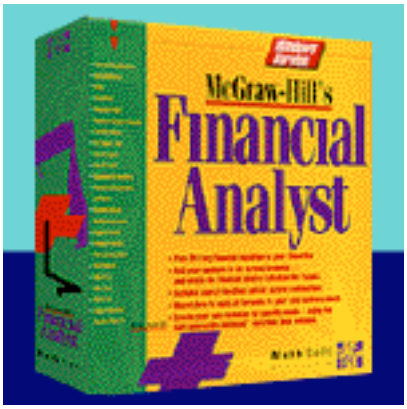

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Moving Average

Definition

A moving average is an average that is updated as new information is received. For example, a financial manager employs the most recent observations to calculate an average, which is used as the forecast for the next period.

How is it Computed?

For a moving average, simply take the most recent observations to calculate an average, and update these observations continually as new data becomes available.

Example

Assume that a financial manager has the following cash inflow data:

Month	Cash collections
April	$20,000
May	21,000
June	24,000
July	22,000
August	26,000
September	25,000

Using a five-month moving average, predicted cash collection for October is computed as follows:

$$\frac{21000 + 24000 + 22000 + 26000 + 25000}{5} = 23600$$

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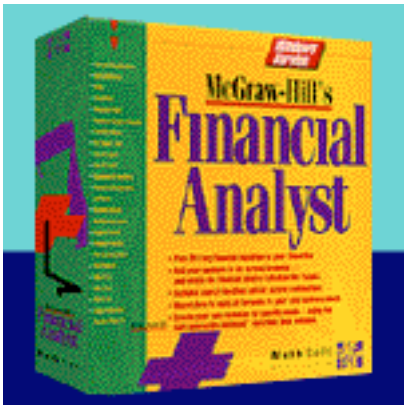

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How is it Used and Applied?

The moving average is used as a prediction model. Forecasters can choose the number of periods to use on the basis of the relative importance attached to old data versus current data. For example, compare two possibilities -- a five-month and three-month period. In terms of the relative importance of new-versus-old data, the old data receives a weight of **4/5** and current data a weight of **1/5**. In the second possibility, the old data receives a weight of **2/3**, while current observations receive **1/3** weight. This example is a special case of the exponential smoothing method, in which a smoothing constant represents the weight given to the most recent data (see **70 Exponential Smoothing**).

Moving Average Worksheet

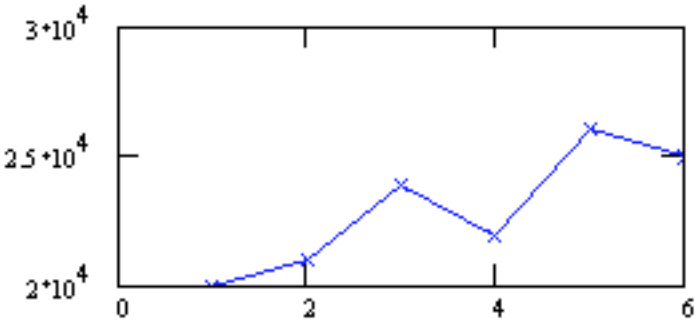
Input Variables

Number of data points: $n := 6$ $i := 1 .. n$

Number of data points to be used in moving average: $m := 5$

$data_i :=$

20000
21000
24000
22000
26000
25000



Calculations

Therefore, the moving average is

$j := 1 + (n - m) .. n$ $mvg\_avg := \frac{1}{m} \cdot \sum_j data_j$ $mvg\_avg = 23600$

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