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The Financial Markets Workbook Version 11 has been updated to reflect the following changes:

Chapter 1, Section 3.1.3

The amount of capital employed can be calculated in two ways, as follows:

Capital employed = Equity + Non-current liabilities

or

Capital employed = Total assets − Current Liabilities

In the example of XYZ plc (see sections 1.1, 1.2.1 and 1.3), again for 20X2:

Capital employed = Equity +Non-current liabilities = 8,313+ 9,000 = 17,313

or

Capital employed = Total assets −Current liabilities = 24,429−7,116 = 17,313

ROCE (%) = 2,787 / 17,313 = 0.1610 or 16.10%

Chapter 4, Section 3.1

Most corporate bonds are issued as debentures. The term 'debenture' can vary in its legal and financial implications from one country to another, as well as the terms of the issuance. In some countries, it denotes debt instrument when the issuer's obligations are backed by specific assets – such securities are referred to as secured debentures (security is covered further in section 3.4). In other countries, however, no security is provided, in which case the stock is referred to as unsecured loan stock (ULS) or unsecured notes; in these circumstances, lenders rely solely on the issuer's creditworthiness. In the UK, for example, debentures can be either secured or unsecured, depending on the terms; it is important, therefore, for lenders to carefully review the terms before committing to any investment.

Chapter 4, Section 3.4

Most corporate bonds are issued as debentures, which are essentially IOUs issued by a company. Depending on the country in which the debenture is issued and the terms and conditions, they can be secured by specific collateral (secured debentures) or unsecured (unsecured loan stock (ULS) or unsecured loan notes).

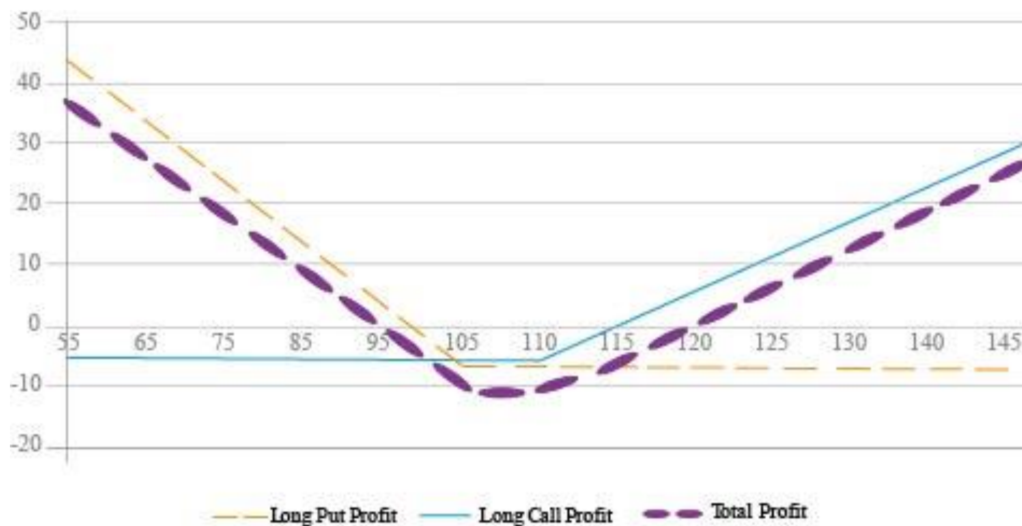
In the latter case, companies rely solely on their creditworthiness and reputation to attract investors.

From the investors' perspective, they are at the mercy of the company's overall financial health and the order of preference established in the bond's terms. Senior debentures typically have a higher priority so they are among the first to receive repayments, while junior or subordinated debentures have a lower priority. This distinction can have a profound impact on the recovery prospects for bondholders. As a result, investors in debentures must carefully assess the issuer's creditworthiness and the terms before investing in this inherently riskier category of corporate bonds.

Chapter 7, Section 1.6.4 (Other Types of Swap)

Equity swaps – swaps where one of the legs is based on the returns (either income or capital appreciation) from equities. Typically, the other leg is based on a fixed or floating rate return on a basket of bonds (floating leg), although many variations are available (eg, the second leg could also be based on equities). Both counterparties maintain ownership of the original assets. The equity leg can involve a single stock, a basket of equities or an equity index, and are traded OTC.

Chapter 7, Section 4.3.3 (Strategy: Long Strangle)



Chapter 7, Section 8.4.5

In an equity swap (or index swap), two counterparties agree to exchange the return on an equity index, or a specified basket of shares, typically for a fixed or floating rate of interest from bonds although many variations are possible.

Chapter 7, Section 8.5.10

Equity swaps are an exchange of future cash flows where payments on at least one leg is linked to the performance of equities or an equity index.