Quiz C: 4/11/12

Quiz: Suspend Campaign Company has a current stock price of $50. For each of the next two years, Suspend’s stock price will either rise by $6 per share or fall by $4 per share.
a. Set up the calculations needed to determine the value of a put today with a strike price of $60 if the risk-free interest rate is 1% per year and is not expected to change.
b. Set up the calculations needed to determine how many bonds would you need to buy or sell a year from today if Suspend’s stock price falls by $4 per share next year?

Note: Bonus WSJ Questions on back of page