Assume that NextFlix has assets with a market value of $100 million and equity with a market value of $80 million. Its debt matures for $35 million seven years from today. Set up the calculations needed to determine the beta of NextFlix’s assets and debt if the beta of its equity is 1.4. Note: If you are not solving for the left hand side of the equations, state which variable you are solving for.

The return on U.S. Treasuries varies by year as follows (year = rate): 1 = 0.13%, 2 = 0.23%, 3 = 0.34%, 4 = 0.51%, 5 = 0.69%, 6 = 0.91%, 7 = 1.10%, 8 = 1.32%, 9 = 1.55%, 10 = 1.66%.

The returns on bonds with the same credit rating as NextFlix vary by year as follows (year = rate): 1 = 5%, 2 = 6%, 3 = 7%, 4 = 7.5%, 5 = 8%, 6 = 8.25%, 7 = 8.5%, 8 = 8.75%, 9 = 9%, 10 = 9.1%.

Wall Street Journal Questions are on the back of this page.
Wall Street Journal Bonus Questions

1. How have regulators been pushing banks to rein in bonus pay?
   a. by limiting the percent of compensation that can be granted in the form of shares
   b. by scaling back the maximum bonuses awarded to executives who beat their performance targets
   c. by paying bonuses every five years instead of annually
   d. by eliminating bonuses based on the value of shadow shares
   e. by limiting the percent of compensation that can be granted in the form of stock options

2. What budget cuts have disrupted air travel?
   a. pilots have staged slowdowns in protest of cuts to medical benefits
   b. airlines have cut their spending on baggage handlers to reduce costs
   c. aviation fuel suppliers have reduced the number of trucks in operation to address mounting losses
   d. the Federal Aviation Administration's furloughs of controllers reduced staffing by 10% beginning on Sunday
   e. airports have cut security personnel in attempts to cut operating deficits