

# Fall 2012: Final A for 2:30 class

P1.  $V_{Taffang} = \frac{1.35}{(1.1)^3} + 0.3 = 1.0143 + 0.3 = 1.3143 < 1.5$

buy
short

Trans	<u>CF<sub>0</sub></u>	<u>\$1</u>	<u>\$5</u>
+5 Buy Taff Bonds	-1.0143 +5	+1 +5	+1.35 +5
+5 Buy Taff stock	-0.3 +5	∅ +5	+3.05 +5
+5 Short Troll stock	+1.5 +5	-1 +5	-5 +5
<u>Total</u>	+0.1857 +5	∅ +5	∅ +5

