

Fall, 2012: Final A for 2:30 class

Short Answer

1. Ask +15

2. Higher +15

$$3. (\Delta R - \Delta E - (-500))(1 - 35) = 0 \quad +5$$

$$\Delta R = -500 \quad +4$$

$$4. SD = \sqrt{\frac{1}{34} \left((-48-17)^2 + (86-17)^2 + (49-17)^2 + (-9-17)^2 + (8-17)^2 \right)} \quad +6$$

5. Drops +15

$$6. E(R_U) = \left(\frac{4.17}{4.17+1.1} \right) 8.25 + \left(\frac{1.1}{4.17+1.1} \right) 3.75 \quad +4$$

+8/+7 7. Bond prices fall, stock prices rise

8. Rise +15

$$9. 500 \times (+4.35 - (30 - 25)) = -325$$

$$10. \beta_C = \left(\frac{\Delta S}{\Delta S + B} \right) \beta_S; \Delta = \Delta(r, \cdot); B = -PV(C) N(2)$$

$$\Rightarrow \beta_C = \left(\frac{(81859)28}{(81859)28 - (24.93)(1.79389)} \right) 1.9 \quad +5$$