

Final B for 4:00 class
 Fall 2012: Final A for 2:30 class

$$P3 \quad NPV = -150 - 4 + \left(\frac{1}{r(\frac{1}{2}) - .005} \right) \left(1 - \left(\frac{1.005}{1+r(\frac{1}{2})} \right)^{35} \right) \left(\frac{1}{1+r(\frac{1}{2})} \right)^3$$

$$+6 \quad r(\frac{1}{2}) = (1+r)^2 - 1$$

$$+6 \quad r = .0012 + 1.2 \cdot (.08 - .0012)$$

$$P4 \quad +5 C = S N(d_1) - PV(K) N(d_2)$$

$$+5 \quad S = \frac{4.5}{r} \left(1 - \left(\frac{1}{1+r} \right)^{26} \right) \left(\frac{1}{1+r} \right)^4$$

⇒ Note: same r as P3

$$+5 \quad d_1 = \frac{\ln\left(\frac{S}{PV(K)}\right)}{\sigma \sqrt{T}} + \frac{\sigma \sqrt{T}}{2}$$

$$+5 \quad PV(K) = \frac{50}{(1.004)^4}$$

$$\sigma = .4$$

$$T = 4$$

$$+5 \quad d_2 = d_1 - \sigma \sqrt{T}$$

+1 ⇒ look up $N(d_1)$ + $N(d_2)$ on table or using excel