

**Quiz A: 10/31/12**

Name \_\_\_\_\_

Assume a stock worth \$100 will rise by 20% or fall by 10% by one year from today. Assume also that the risk-free interest rate is 2%.

- a. What is the value of a put with a \$110 strike price?
- b. What investments would be required to create a portfolio that duplicates the payoff on the put?
- c. What would be the payoff on each part of the portfolio (in part b) if the stock rises 20%?
- d. What would be the payoff on each part of the portfolio (in part b) if the stock falls 10%?

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