

Quiz B for 2:30 Class: 11/19/12

Name _____

Use the following information to set up the calculations needed to determine the beta of Netflix's assets and Netflix's bonds.

Information on Netflix's assets: market value = \$6 billion, book value = \$1.9 billion, standard deviation of returns = 40%, average life = 20 years

Information on Netflix's bonds: market value = \$1 billion, book value = \$0.9 billion, standard deviation of returns = 10%, maturity = 5 years, maturity value of debt = \$1.2 billion

Information on Netflix's stock: market value = \$5 billion, book value = \$1 billion, standard deviation of returns = 45%, beta = 0.7

Returns on Treasuries by maturity: 1-year = 0.2%; 5-year = 0.7%; 10-year = 1.6%; 12-year = 1.7%; 20-year = 2.2%; 30-year = 2.7%