

Spring 2012 Final  
1:25A

Problems

$$1.) a. V^u = 25,000 + \frac{75,000}{(1.05)^4} = 25,000 + 28,794.59 = 53,794.59$$

⇒ Buy Firm A's stock, short sell Firm B's stock + bonds

Trans	\$0	$V = 15,000$	$V = 80,000$
Buy A's stock	-50,000	+15,000	+80,000
Short B's bonds	+28,794.59	-15,000	<del>35,000</del>
Short B's stock	+25,000	0	-45,000
<u>Total</u>	+3794.59	0	0