Spring 2012 Final

All ~~+1.25~~ B

P4) +6 $\left(d_1 = \frac{\ln\left(\frac{S}{PV(K)}\right)}{\sigma\sqrt{T}} + \frac{\sigma\sqrt{T}}{2} \right.$

+3 $\left(d_2 = d_1 - \sigma\sqrt{T} \right.$

+6 $\left(C = S(N(d_1)) - PV(K)(N(d_2)) \right.$

$S = \left(\frac{150{,}000}{.00455386}\right)\left(1 - \left(\frac{1}{1.00455386}\right)^{36}\right)\left(\frac{1}{1.00455386}\right)^{24}$ (11) +3 +3 +1 +7 +7 +7

+3 $\left(PV(K) = \frac{2{,}500{,}000}{(1.00254)^2} \right.$ +7 (24) +7

$T = 2$ +7

$\sigma = .45$ +7

+1 $N(\,)$ ⇒ look up in tables or use Excel

(10)