

# Spring 2012 Final

2:30A

SA

1. Buy 100 shares of price rises or (does not fall by at least as much as any dividends paid while stock.)

2.  $r(\frac{1}{12}) = \frac{.027}{12}$ ;  $r(\frac{1}{2}) = (1 + r(\frac{1}{12}))^6 - 1$

3. higher

4. reduce profits, increase cash flow

5. Calculate: correlation, standard deviation of return on the two assets, tell if stocks move in same or opposite directions

6. betas of stocks, investment in each stock

7.  $(-1.32 + (70 - 65)) \times 100$

8. ↑, offset by ↑ in expected return

9. Fall

10. Risk-free bond + short put on firm's assets

10. own firm's assets + short call on the assets