

Spring 2012 Final

4:00 B

1. a. $S + P = C + PV(K)$
 $11.59 + 0.39 = \frac{1.25}{\cancel{1.00096}} + \frac{11}{(1.00096)^{3/12}} = \frac{1.25}{\cancel{1.00096}} + 10.997$

$11.98 = \cancel{11.647} 12.0247$

→ buy stock, buy put, short call, short bond

Trans	\$0	\$8	\$16
Buy Stock +4	-11.59 +4	+8 +4	+16 +4
Buy put +4	-0.39 +4	+3 +4	+0 +4
Short call +4	+1.25 +4	0 +4	-5 +4
Short bond +4	+10.997 +4	-11 +4	-11 +4
<u>Total</u>	+0.267 +4	<u>0</u>	<u>0</u>

+3/+4 +4/+3