Quiz B: 4/11/12   Name & Time _____

Quiz: Suspend Campaign Company has a current stock price of $50. For each of the next two years, Suspend's stock price will either rise by 8% per share or fall by 4% per share.
a. Set up the calculations needed to determine the value of a <u>call</u> today with a strike price of $50 if the risk-free interest rate is 3% per year and is not expected to change.
 b. Set up the calculations needed to determine how many bonds would you need to buy or sell a year from today if Suspend's stock price rises by 8% next year?

Note: Bonus WSJ Questions on back of page