Quiz A: 4/18/12 Name & Time ____________________________

Quiz: Given the following information, set up the calculations required to determine the beta of Dropping Apple's assets and debt. Plug in as many numbers as possible.

Information on:

Dropping Apple's stock: current market value = $50,000, beta = 1.4
Dropping Apple's bonds: maturity = 4 years, maturity value = $55,000, current market value = $40,000
Returns: Dropping Apple's bonds = 8.3%, U.S. Treasuries that mature in 4 years = 2%
If we value Dropping Apple's stock as a call on the firm's assets: the price of a U.S. Treasury that matures for $55,000 in 4 years = $50,811, implied volatility = 49.1%, d_1 = 1.0732, d_2 = 0.0914

Note: Bonus WSJ Questions on back of page