

Alternative acceptable solution to part c  
of Quiz B (given error in question):

c. Stock = <sup>✓✓✓✓</sup> call

✓✓✓✓  $\Rightarrow$  as value of assets  $\downarrow$ , value of call  $\downarrow$

✓✓✓✓ bond = assets - call

✓✓✓✓  $\Rightarrow$  as value of assets  $\downarrow$ , value of bonds  $\downarrow$

✓✓✓✓  $\Rightarrow$  value of assets drops more than value of call  
(or call drops less than assets)