

Quiz B for 1:00 Class: 03/18/13

Name _____

Assume that StreamingProfits Inc. announces plans to issue additional shares of common stock and use the proceeds to repurchase outstanding bonds. At the announcement, the prices of StreamingProfits' common shares fell but the prices of its outstanding bonds rose. Excluding tax issues, how would you explain these reactions?

Wall Street Journal Questions are on the back of this page.