

Quiz B for 1:00 Class: 04/08/13

Name _____

Assume the risk-free interest rate is 1.1%. Assume also that First National BB Title Inc's stock price currently equals \$13 per share. By next year, First's stock price will rise by \$4 per share or fall by \$3 per share from its current price.

- a. Calculate the value of a call on NIT if the strike price is \$12?
- b. Calculate the value of the equivalent put (strike price is also \$12)?

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