Quiz A for 2:30 Class: 04/08/13 Name ___________________________

Assume the risk-free interest rate is 1.3%. Assume also that Blowout Iowa Inc's stock price currently equals $20 per share. By next year, Blowout's stock price per share will rise by 20% or fall by 10% from its current level.

a. Calculate the value of a call on Blowout if the strike price is $19?

b. Calculate the value of the equivalent put (strike price is also $19)?

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