Quiz A for 2:30 Class: 04/10/13 Name ____________________________

Assume that Accidental Petroleum's stock price currently equals $50 per share and that its stock price will rise 12% or fall 8% each of the next two years. If the risk-free interest rate is 2% per year, what is the value today of a call on Accidental with a strike price of $45 that expires in two years?

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