Quiz A for 1:00 Class: 04/24/13 Name ___________________________

Assume that NextFlix has assets with a market value of $500 million and equity with a market value of $400 million. Its debt matures for $175 million five years from today. Set up the calculations needed to determine the beta of NextFlix's assets and debt if the beta of its equity is 1.1. Note: If you are not solving for the left hand side of the equations, state which variable you are solving for.

The return on U.S. Treasuries varies by year as follows (year = rate): 1 = 0.13%, 2 = 0.23%, 3 = 0.34%, 4 = 0.51%, 5 = 0.69%, 6 = 0.91%, 7 = 1.10%, 8 = 1.32%, 9 = 1.55%, 10 = 1.66%.

The returns on bonds with the same credit rating as NextFlix vary by year as follows (year = rate): 1 = 5%, 2 = 6%, 3 = 7%, 4 = 7.5%, 5 = 8%, 6 = 8.25%, 7 = 8.5%, 8 = 8.75%, 9 = 9%, 10 = 9.1%.

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