

Quiz B for 1:00 Class: 04/24/13

Name _____

Assume that NextFlix has assets with a market value of \$100 million and equity with a market value of \$80 million. Its debt matures for \$35 million seven 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 1.4. 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.

Wall Street Journal Bonus Questions

1. How have regulators been pushing banks to rein in bonus pay?
 - a. by limiting the percent of compensation that can be granted in the form of shares
 - b. by scaling back the maximum bonuses awarded to executives who beat their performance targets
 - c. by paying bonuses every five years instead of annually
 - d. by eliminating bonuses based on the value of shadow shares
 - e. by limiting the percent of compensation that can be granted in the form of stock options

2. What budget cuts have disrupted air travel?
 - a. pilots have staged slowdowns in protest of cuts to medical benefits
 - b. airlines have cut their spending on baggage handlers to reduce costs
 - c. aviation fuel suppliers have reduced the number of trucks in operation to address mounting losses
 - d. the Federal Aviation Administration's furloughs of controllers reduced staffing by 10% beginning on Sunday
 - e. airports have cut security personnel in attempts to cut operating deficits