

Final, Summer 2013

$$3. \quad \beta_C = \beta_P = \left(\frac{D_1}{D_1 + B} \right) 1.6$$

$$D_C = N(d_1)$$

$$S = S^x = 36 - \frac{.07}{(1.12)} - \frac{.09}{(1.12)^5}$$

$$B_C = -PV(K) N(d_2)$$

$$PV(K) = \frac{35}{(1.00076)^7}$$

$$d_1 = \frac{\ln\left(\frac{S}{PV(K)}\right)}{.43\sqrt{7/12}} + \frac{.43\sqrt{7/12}}{2}$$

$$d_2 = d_1 - .43\sqrt{7/12}$$

$$D_P = -(1 - N(d_1))$$

$$B_P = PV(K) (1 - N(d_2))$$

⇒ look up $N(d_1) + N(d_2)$ on table or in Excel