

Introduction to Global Securities Market – Final Exam

Spring 2022

Student Name: _____

Student ID: _____

Test Time/Date: 10:40AM to 12:00PM (Duration: 80 Minutes), 6/4/2021 (Beijing Time)

Calculation-based questions and open response questions 计算题和简答题 (Please show your steps in order to receive partial credits/请显示解题步骤以取得部分分数)

Total Points: 100 Points

1. An analyst gathers the following information:

One-year interest rates:	Australian dollar	5%	U.S. dollar	6%
Spot exchange rate:	AUD/USD	1.40		

US dollar (Domestic/Base) Australian dollar (Foreign/Quote)

Based on the information above, the forward exchange rate that will satisfy the interest rate parity condition is? (Rounded to three decimals; 精确到小数点后三位数)
(10 Points)

2. The U.S. dollar was recently quoted at CHF0.99241 (Swiss francs). If you have placed an order for CHF 100,000 worth of watches from a Swiss watch dealer, how many dollars will this order cost?
(5 Points)
3. SuperValue Company preferred stock pays a constant dividend of \$5.00 per year. Assume that investors require a 10% rate of return. How much will investors be willing to pay for this stock?
(5 Points)

4. IceBear Company common stock recently paid a dividend of \$2.00. The estimated growth rate of dividends is 5% per year, and the required rate of return is 10%. How much will investors be willing to pay for this stock?
(10 Points)
5. PanPan Company pays no dividend and reinvests all its earnings into rapid growth, but it is expected to begin paying dividends in five years. The first dividend will be \$5.00, dividends will grow at 5% per year, and the required rate of return throughout the period is 10%. How much will investors be willing to pay for this stock?
(15 Points)
6. A U.S. government bond is selling in the market at 98.08. How much is the dollar value of this bond?
(5 Points)
7. TopAct Mutual Fund owns assets totaling \$32 million and liabilities equal to \$2 million with 1 million shares outstanding. How much is its NAV? How frequently should NAV of a fund be calculated?
(5 Points)
8. Mutual Funds are getting very popular largely due to its wide range of investment styles. As a financial advisor, you are recommending Balanced Funds to your clients. What are the major characteristics of Balanced Funds? How are Balanced Funds different from Asset Allocation Funds?
(10 Points)

9. Use the following information to answer questions 1 through 3 (15 Points)

An investor purchased an 12% Lemon County Bond at 120. Annual interest is paid.

- 1. What is the bond's nominal yield? (5 Points)**

- 2. What is the bond's current yield? (6 Points)**

- 3. Is yield to maturity less or greater than the current yield (no calculation needed) (4 Points)**

10. NOTE: Please fill in the blank/本题有填空

Using your own modeling tool, you believe the stock price will go Down and therefore, you decide to buy_____ (5 Points) Option writing on this stock. Assume stock price at Expiration is: \$60; exercise price of call is: \$66; cost of option is: \$5

- Calculate Value of Option at Expiration (2 Points)**

- Calculate Profit/Loss, if exercised (2 Points)**

- Will you exercise your option? Why? (1 Points)**

11. NOTE: Please fill in the blank/本题有填空

Using your own modeling tool, you believe the stock price will go Up and therefore, you decide to buy_____ (5 Points) Option writing on this stock. Assume stock price at Expiration is: \$82; exercise price of call is: \$80; cost of option is: \$3

- Calculate Value of Option at Expiration (2 Points)
- Calculate Profit/Loss, if exercised (2 Points)
- Will you exercise your option? Why? (1 Points)