

1. The strong form of the EMH states that \_\_\_\_ must be reflected in the current stock price.  
Select one:
  - a. all security price and volume data
  - b. all information, including inside information
  - c. all costless information
  - d. all publicly available information
  
2. Which of the following is not a method employed by fundamental analysts?  
Select one:
  - a. earnings forecasting
  - b. charting
  - c. analyzing the Fed's next interest rate move
  - d. estimating the economic growth rate
  
3. A call option on Dr. Pepper Snapple Group, Inc., has an exercise price of \$45. The current stock price is \$40. The call option is \_\_\_\_.  
Select one:
  - a. in the money
  - b. at the money
  - c. knocked out
  - d. out of the money
  
4. All other things equal, a bond's duration is \_\_\_\_.  
Select one:
  - a. higher when the coupon rate is higher
  - b. indeterminable when the coupon rate is high
  - c. lower when the coupon rate is higher
  - d. the same when the coupon rate is higher
  
5. You can be sure that a bond will sell at a discount to par when \_\_\_\_.  
Select one:
  - a. its coupon rate is less than its conversion value
  - b. its coupon rate is greater than its yield to maturity
  - c. its coupon rate is equal to its yield to maturity
  - d. its coupon rate is less than its yield to maturity
  
6. The invoice price of a bond is the \_\_\_\_.  
Select one:
  - a. stated or flat price in a quote sheet plus accrued interest

- b. average of the bid and ask price
  - c. stated or flat price in a quote sheet minus accrued interest
  - d. bid price
7. You write (sell) one European Microsoft July (expiry date 16 July 2022) 330 call option contract (equalling 100 shares) for a premium of \$6 shares. You hold the option until the expiration date, when Microsoft stock sells for \$335 per share.
- a) How much is the realized profit/loss on the transaction? (4 points)
  - b) What is the maximum profit that you can realize on this position? Explain your answer! (2 points)
  - c) What is biggest loss that you can suffer on this position? Explain your answer! (2 points)
  - d) What is the realized profit/loss of your counterparty (the buyer of this call option)? Explain your answer! (2 points)
8. Beyond Meet's stock dividend at the end of the year is expected to be \$3.25, and it is expected to grow at 12.00% per year forever.
- a) If the required rate of return on Beyond Meet stock is 15.2% per year, what is its intrinsic value? (4 points)
  - b) If current market price of Beyond Meet is equal to the intrinsic value, what is next year's expected price? (2 points)
  - c) If an investor buys Beyond Meet stock now and sells it after receiving the dividend a year now, what is the expected capital gain (i.e., price appreciation) in percentage terms and what is the dividend yield? (4 points)
9. All else the same, an American or a European-style option will be more valuable from the option holder perspective? Explain your answer! (10 points)
10. Collect the key benefits to small from investors investing through mutual funds! List also the most important costs connected to this investment type! (10 points)
11. Introduce and analyze Financial Ratio analysis as investment decision making tool. Outline its potential benefits and limitations. Introduce at least 5 different financial ratios, detail how we calculate those and what could be measured by the specific ratio! Use examples! (max. 36 points)