Module 5 Honors Quiz
Graded Quiz • 30 min

Due Nov 9, 1:59 AM EST

Congratulations! You passed!

TO PASS 80% or higher

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Retake the assignment in **7h 59m**

GRADE
100%

You have a new skill score!

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Finance 206

Module 5 Honors Quiz

LATEST SUBMISSION GRADE

100%

1. If you are a Japanese producer who sells products in the US, you want a foreign exchange future without going through the futures market. So, you borrow money in dollars with an interest rate of 5% and immediately convert it to yen at a rate of 1 dollar to 100 yen. Then you put the money in a Japanese interest-bearing account with an interest rate of 10%. What is the forward exchange rate in this case?

1 / 1 point

- ( ) 94.88 yen to dollars
- (•) 104.76 yen to dollars
- ( ) 105.12 yen to dollars
- ( ) 95.45 yen to dollars

✓ **Correct**
The formula is [spot exchange rate ¥:$]×(1+[interest rate ¥])/(1+[interest rate $]), so plugging in the numbers, we have 100×1.10/1.05 = 104.76 yen to dollars

2. Why is it difficult to determine the spot price of oil?

1 / 1 point

- ( ) Oil is highly dependent on politics and thus can change very rapidly.
- (•) Oil is primarily sold in long-term contracts, so there is no clear spot price of oil.
- ( ) Oil is primarily traded in private markets, so very few people know how much money it is selling for.
- ( ) Oil cannot be stored efficiently, and thus special types of futures contracts are needed which do not incorporate spot price.

✓ **Correct**

3. Intel Corp has a share price of $31.63 and a yearly dividend of $1.50 per year. An option with a strike price of $27 has a call price of $6.10, and a put price of $2.65. It has a 1 yr expiry period. Assuming no interest, what is the predicted share price according to the put-call parity relationship?

1 / 1 point

31.95

✓ **Correct**
predicted price of the stock is:

[call price] + [pdv strike price] + [pdv dividends] - [put price]

So we have:

$6.10 + $27 + $1.50 - $2.65 = $31.95