😱<u>Quize 2</u>
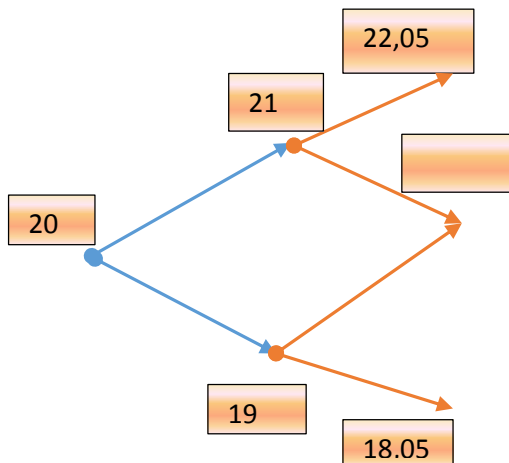
1. An investor paid $95 for a bond with face value $100 maturing in six months. When will the bond value reach $99 if the interest rate remains constant?

A	**B**	**C**	**D**
125 days	147 days	136 days	121 days

2. Find the price of a bond with face value $100 and $5 annual coupons that matures in four years, given that the continuous compounding rate is 5%.

A	B	C	D
88.95	89.5	100	99.55

3.

In a two-step binomial tree find determine the unknown value of the stock price

A	**B**	**C**	**D**
22,05	21,25	19,95	21,0 5

4. Suppose that stock prices follow a binomial tree, the possible values of S(2) being NOK121, NOK110 and NOK100. Find u when S(0) = 100 NOK.

A	B	C	D
0,5	0,1	0	0,2

5. Choose the correct statement:

A	B	C	D
The rate of return for the stock is additive, but only under additional conditions	The rate of return for a stock is always additive	The rate of return for a stock does not have the additivity property	The rate of return for a stock is additive only in boom