

### Question 1

Why is the cash-and-carry strategy employed in the financial futures market not readily available in the commodity futures market?

Answer: <https://biology-forums.com/index.php?topic=684144>

### Question 2

The spot price of the market index is \$900. A 3-month forward contract on this index is priced at \$930. The annual rate of interest on treasuries is 2.4% (0.2% per month). What annualized rate of interest makes the net payoff zero? (Assume monthly compounding.)

- A) 4.8%
- B) 8.5%
- C) 11.2%
- D) 13.2%

Answer: <https://biology-forums.com/index.php?topic=684059>

### Question 3

A put option is purchased and held for 1 year. The Exercise price on the underlying asset is \$40. If the current price of the asset is \$36.45 and the future value of the original option premium is (-\$1.62), what is the put profit, if any, at the end of the year?

- A) \$1.62
- B) \$1.93
- C) \$3.55
- D) \$5.17

Answer: <https://biology-forums.com/index.php?topic=684067>

### Question 4

Explain a "diff swap" as it relates to currency swaps.

Answer: <https://biology-forums.com/index.php?topic=684185>

### Question 5

The \$850 strike put premium is \$25.45 and the \$850 strike call is selling for \$30.51. Calculate the breakeven index price for a strategy employing a short call and long put that expires in 6 months. Interest rates are 0.5% per month.

- A) \$822.67
- B) \$824.79
- C) \$830.76
- D) \$875.82

Answer: <https://biology-forums.com/index.php?topic=684079>

### Question 6

A farmer sells 4 million bushels of corn at a spot price of \$2.10 per bushel. The total cost of production was \$9.2 million. The farmer has an effective tax rate of 25%. If the farmer entered into a futures contract at a price of \$2.40 per bushel on 4 million bushels, what is the farmer's net loss or gain?

- A) \$100,000 loss
- B) \$800,000 loss
- C) \$300,000 gain
- D) \$400,000 gain

Answer: <https://biology-forums.com/index.php?topic=684103>

### Question 7

Why would a manufacturer elect to use a long call strategy instead of a forward contract to hedge the risk associated with variable costs?

Answer: <https://biology-forums.com/index.php?topic=684105>

### Question 8

Forward prices for gold, in dollars per ounce, for the next five years are 1350, 1400, 1560, 1675, and 1756, respectively. A mine can be opened for 3 years at a cost of \$2,000. Annual mining costs are a constant \$500 and interest rates are 5.0%. When should the mine be opened to maximize NPV?

- A) Year 1
- B) Year 2
- C) Year 3
- D) Never

Answer: <https://biology-forums.com/index.php?topic=684137>

### Question 9

What are some uses for index futures contracts?

Answer: <https://biology-forums.com/index.php?topic=684127>

### Question 10

Assume that you open a 100-share short position in Jiffy, Inc. common stock at the bid-ask prices of \$32.00 - \$32.50. When you close your position, the bid-ask prices are \$32.50 - \$33.00. You pay a commission rate of 0.5%. The market interest rate is 5.0% and the short rebate rate is 3.0%. What is your additional gain or loss due to leasing the asset?

- A) \$64.00 loss
- B) \$160.00 loss
- C) \$96.00 gain
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=684048>

### Question 11

KidCo Cereal Company sells "Sugar Corns" for \$2.50 per box. The company will need to buy 20,000 bushels of corn in 6 months to produce 40,000 boxes of cereal. Non-corn costs total \$60,000. What is the company's profit if they purchase call options at \$0.12 per bushel with a strike price of \$1.60? Assume the 6-month interest rate is 4.0% and the spot price in 6 months is \$1.65 per bushel.

- A) \$6,504 profit
- B) \$8,005 loss
- C) \$12,064 profit
- D) \$11,293 loss

Answer: <https://biology-forums.com/index.php?topic=684097>

### Question 12

Given a 3-year, 8.0% annual coupon bond with a par value of \$1,000, what is the bond's Macaulay duration if the yield to maturity is 9.5%?

- A) 2.779
- B) 2.634
- C) 2.535
- D) 2.442

Answer: <https://biology-forums.com/index.php?topic=684158>

### Question 13

A 4-year bond with a price of 100.696 exists. The duration on the bond is 3.674. If the yield rises from 5.8% to 6.2%, what is the new bond price as estimated by the duration?

- A) \$98.40
- B) \$99.30
- C) \$100.60
- D) \$101.40

Answer: <https://biology-forums.com/index.php?topic=684159>

### Question 14

What economic concept is central to proving that risk neutral pricing functions in the establishing of option prices?

- A) Consumption possibilities
- B) Factor analysis
- C) Marginal average cost
- D) Declining marginal utility

Answer: <https://biology-forums.com/index.php?topic=684231>

### Question 15

A stock is valued at \$28.00. The annual expected return is 9.0% and the standard deviation of annualized returns is 19.0%. If the stock is lognormally distributed, what is the expected median stock price after 4 years?

- A) \$28.00
- B) \$32.33
- C) \$40.13
- D) \$54.60

Answer: <https://biology-forums.com/index.php?topic=684370>

### Question 16

Briefly define a terminal boundary condition.

Answer: <https://biology-forums.com/index.php?topic=684429>

### Question 17

The risk-neutral measure arises when we select \_\_\_\_\_ as the numeraire.

- A) Asset portfolio
- B) Corporate bond
- C) Treasury bond
- D) Money market account

Answer: <https://biology-forums.com/index.php?topic=684436>

### Question 18

During the growing season, a corn farmer sells short corn futures contracts in an amount equal to her crop. If upon harvesting and selling her crop she maintains the contracts, she is then considered a(n):

- A) Hedger
- B) Speculator
- C) Arbitrager
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=684042>