Assignment 1

The last date for submitting this assignment has passed. As per our records you have not submitted this assignment.

1. Person A borrows an amount of 10000 from Person B and promises to return this amount also and pays an interest of 2000, after two years. Then the debtor is Person ________

2. State whether the following statement is TRUE or FALSE:
The number of payments received by the creditor of a zero-coupon bond is two.

3. Suppose that a coupon bond is priced at 5000 today with a nominal value of 6500 after two years, then the bond is said to sell ________ par.

4. The three typical kinds of risk of a bond are ________ risk, inflation risk and liquidity risk.

5. The share of the company’s profits received by a stockholder of the company is called ________

Person A buys a stock for 500 and sells it for 630 after one year. Then the capital gain for A is ________.

Person A enters into a forward contract to sell a stock to Person B after six months, for the price of 450. If the spot price of the stock after six months is 420, then the amount of money by Person B, from the forward contract is ________.

Person A buys a six-month European put option with strike price of 500, with the option being 20. If the spot price of the underlying asset after six-months is 465, then the gain for A (taking into account the price 20 of the option and without taking into account the time value of money) is ________.

When an European call option is in-the-money, then an European put option of same maturity, same strike on the same underlying asset as the European call option will be ________ of-in-the-money.