HOMEWORK #5

Name: **ANSWERS**

Problem 13.7

Calculate the Call and Put Premiums using the information below

	ln(S/X)	(i-δ+σ^2/2).t	σ√t
	-0.19105524	0.055	0.3

Standard Deviation (σ) =	0.30		d1 =	-0.454
Expiration (in years) (T) =	1.00		d2 =	-0.754
Risk-Free Rate (Annual) (i) =	1.00%		N(d1) =	0.325
Stock Price (S) =	95.00		N(d2) =	0.226
Exercise Price (X) =	115.00			
Dividend Yield (annual) (δ) =	0.00		**Call =**	**5.2010**
			Put =	**24.0567**

e^-it	e^-δt
0.990049834	1

Problem 13.8

Use **Put-Call Parity method** to calculate the Put Option premium

Call Premium =	$	13.00
Stock Price (S) =	$	65.00
Exercise Price (x) =	$	60.00
Risk Free Rate (i) =		2.00%
Time (t) =		1	year

$e^{(-it)}$

0.980198673

Put Premium= | $ **6.81** | P=(X .e^-it) - S + C