Instruction: There are thirty multiple-choice questions and two short-essay questions on this exam. Multiple-choice question is 2.5 points each.

I. Multiple-choice Question(choose the best answer):

1. Which of the following Americn-style IBM put options should have the lowest premium?
   1) put IBM Jul 90 2) put IBM Jul 95 3) put IBM Jun 90
   4) put IBM Jul 85 5) put IBM Jun 95
2. Which of the following securities is not a capital market instruments?
   1) Common stock 2) preferred stock 3) callable bond
   4) deposit receipt 5) commercial paper
3. Which of the following bonds should have the highest interest rate risk?
   1) 30-years 10% coupon bond 2) 30-years 5% coupon bond
   3) 15-years 10% coupon bond 4) 15-years 5% coupon bond
   5) 30-years pure discount bond
4. According to pure expectation theorem, an upward yield curve implies that the inflation rate is expected to
   1) increase 2) decline 3) unchange
   4) Increase then decline 5) need more information
5. The clearinghouse at a futures exchange is best described by which of the followings?
   1) It is the seller to every buyer 2) It is the buyer to every seller
   3) It delivers on defaulted contracts 4) all of the above 5) none of the above
6. If security A's Beta=1.5 and security B's Beta=1.1, it implies
   1) Security A has higher total risk 2) Security A has higher unsystematic risk
   3) Security B has higher total risk 4) Security B has higher unsystematic risk
   5) Security A has higher systematic risk.
7. Assuming current dividend payment is \$5 per share, and dividend grows at constant rate of 10% per year. If the appropriate required rate of return for this stock is 15%, the intrinsic value of the stock would be:
   1) \$50 2) \$60 3) \$85 4) \$100 5) 110
8. You have a 6-year planning period and can choose between two bonds. Bond A has a duration of 10 years and Bond B has a duration of 2 years. If you want to immunize interest rate risk of your portfolio, you must allocate __percentage of your funds in Bond A.
   1) 1/4 2) 1/3 3) 1/2 4) 2/3 5) none of the above
9. At May's expiration day, if stock ABC's closing price is \$50, which of the following options should have the highest premium?
   1) call ABC May 45 2) call ABC May 50 3) call ABC May 55
   2) put ABC May 45 5) put ABC May 60

The next three questions refer to the following data:

Security	Expected return	Variance
A	0.10	0.38
B	0.9	0.36

(背面仍有題目,請繼續作答)