

THE HONG KONG POLYTECHNIC UNIVERSITY
HONG KONG COMMUNITY COLLEGE

Subject Title : Principles of Investments

Subject Code : CCN2132

Session : Semester One, 2018/19

Numerical Answers

Question B1

- (a) Arithmetic average return = 3.15%
- (b) Geometric average return = 2.98%

Question C1

- (b) Stock price = \$58.60

Question C2

Part I

Stock price = \$16.95

Question C3

- (a) Bond price = \$1,085.31
- (b) YTC = 4.92%

Question C4

- (a) Intrinsic value = \$11
- (b) Time value = \$4
- (c) Option price = \$26
- (d) percentage change in stock and option are 42.8% and 73.3%

Question C5

Part I

- (a) share price and market capitalization are \$1.49 and \$37.25 millions
- (b) no. of shares to be issued = 5 million shares
- (c) New market capitalization = \$41.25 millions