

THE HONG KONG POLYTECHNIC UNIVERSITY
HONG KONG COMMUNITY COLLEGE

Subject Title : Introduction to Portfolio
Management

Subject Code : CCN3102

Session : Semester Two, 2017/18

Numerical Answers

Question B1

Part I

(a) Boom: 30%
Normal: 10%
Recession: -13.75%
 $SD(r) = \sigma 17.88\%$

(b) $E(r) = 6.375\%$ and $\sigma = 8.94\%$

Question C1

(c) The percentage change in the bond price will be a 0.463% increase.
(e) Price = \$0.56

Question C2

(a) Loss = \$125,000
(c) 9 contracts

Question C3

Part I

(b) The maximum possible profit will be \$11.
(c) The price range (i.e. \$39 and \$61)

Part II

(a) The breakeven price = \$44.50
(b) Intrinsic value = \$5.00 and Time value = \$1.50