Sample problem for final #2

PLQ, Inc. stock is currently priced at $420 per share. It pays a $25 dividend to shareholders of record in six months. Use the following discount rate information for 3, 6, 9 and 12 months to answer the following questions:

\[
\begin{align*}
B(0,3) &= 0.99 \\
B(0,6) &= 0.98 \\
B(0,9) &= 0.97 \\
B(0,12) &= 0.96
\end{align*}
\]

a) what is the 3-month forward price for PLQ stock?

b) what is the 9-month forward price for PLQ stock?

c) if the 3-month forward price of PLQ was $440, how could you lock in a riskless profit? Be specific in your explanation!