C12 P5

Using the data below, suppose you are holding a market portfolio, and have invested $12000 in stock C.

a) How much have you invested in stock A?

b) How much shares of B do you hold?

c) If the price of Stock C suddenly drops to $4 per share, what trades would you need to make to maintain a market portfolio?

Stock Price/Shares ($) Number of shares outstanding ( millions)

A 10 10

B 20 12

C 8 3

D 50 1

E 45 20