**Walt Disney**

Note that in this case, there are bonds with semiannual coupon payments and also bonds with annual coupon payments. Whenever you see “Yield to Maturity” in the case, assume that it is the Effective Annual Rate (EAR) that is being given.

For questions 9-12, please either show your calculations or state where in the case you found your answer. For question 13, please show your calculations.

**Questions**

1. Describe (in some detail) the problem that Disney had and what led to it.
2. Disney had several possible solutions to this problem. What were they?
3. Evaluate each of the possible solutions above. Which is the best choice? Why is it best?
4. When looking at the two company’s’ (Disney and the French Utility) borrowing costs in Yen and ECUs, answer the following:
   1. Which company has an absolute advantage in Yen?
   2. Which company has an absolute advantage in ECUs?
   3. Which company has a comparative advantage in Yen?
   4. Which company has a comparative advantage in ECUs?
5. Disney wants to end up with a liability in which currency?
6. The French Utility wants to end up with a liability in which currency?
7. Do either or both of these companies want to end up with a liability in the currency where they have a comparative borrowing advantage?
8. If Disney and the French Utility execute a swap, describe (in words) how the swap would work?
9. At what interest rate can Disney borrow in Yen?
10. At what interest rate can Disney borrow in ECUs?
11. At what interest rate can the French Utility borrow in Yen?
12. At what interest rate can the French Utility borrow in ECUs?
13. Using the data contained in the case, calculate the **total potential gain** for all parties from the swap. You do not have to determine how that gain was distributed among the three parties.