

Updates and Errata for ACTEX Study Manual  
Exam FM/2, Fall 2010 Edition  
August 23, 2010

**Page M3-19, Exercise 3.45**

Replace "interest paid" with "interest required".

**Page M3-20, Formula sheet, 7<sup>th</sup> bullet**

Replace  $Bal_{k+1} = Bal_k - PRin_k$  with  $Bal_{k+1} = Bal_k - PRin_{k+1}$

**Page M5-7, Example (5.8), second equation.**

Replace:  $1 + j_2 = \frac{220,000}{200,000} = 1.1 \rightarrow j_1 = .10$

With:  $1 + j_2 = \frac{220,000}{200,000} = 1.1 \rightarrow j_2 = .10$

**Page M7-4, inside the bold box in the middle of the page:**

Replace: "the weighted average of the numbers 1,2,3 with weights .5, .3, .2 is  
 $.5(1) + .3(2) + .2(3) = 1.1$ "

With: "the weighted average of the numbers 1,2,3 with weights .5, .3, .2 is  
 $.5(1) + .3(2) + .2(3) = 1.7$ "

**Page M7-13, Example 7.29**

Second line, replace "Macaulay duration of  $D=6.5772$ ." with "Macaulay duration  
of  $D=6.5572$ ."

**Page M10-23**

Final line should begin "To write a **zero cost** collar...."

**Page M10-27**

In the table column labeled Index Payoff, the first two lines should be 900 and 950.

**Page M11-17, graph for problem 4.5**

The horizontal line for Profit C should be at a height of 0.09999, not at .20.

**Page PE5-8, problem 35**

Second sentence, after comma, should read :leading to an arbitrage profit of 2.89 in 6 months.

**Page PE6-8. Problem 30.**

Last line before the choices should be "Determine the four year forward rate."

**Page PE8-1. Problem 2.**

Third sentence should be: An investor wishes to create a zero-cost collar using options with  $T = .25$ .

**Page PE10-4, Problem 11.**

Change final sentence to: Which of the following is closest to your expected one-year profit per ounce of actinium produced if you hedge using the put?

**Page PE10-11, Question 35.**

Change 3<sup>rd</sup> sentence to: You enter a one year short forward position for 10,000 shares today.

