ACTEX MFE Study Manual

November 2017 Edition

Errata

June 6, 2017

M1-85 Solution to Example 1.4.3:

Line 4: … = $\$100(1.6 - x_{1/3})_+$
Lines 6 and 7:

$$\text{Call price} - \text{put price} = 100\,(F^P_{0,1/3}(x) - 1.6e^{-0.08/3})$$

$$4.3 - \text{put price} = 100 \times 1.6e^{-0.11/3} - 160e^{-0.08/3},$$

M1-90 #9 line 3 last sentence: The put premium is NZD 0.026 million

M1-93 Solution to #9 last two lines:

$$\text{call price} - 0.026 = 1.37e^{-0.009 \times 0.5} - 1.4e^{-0.019 \times 0.5},$$

giving call price $= 0.00309$ million New Zealand dollars.

M3-23 Solution to #7: change 244.44540 to 24.44540

M3-31 The line preceding Equation (3.2.1): $d_1 = \dfrac{\ln[S(0)/K] + (r - \delta + \sigma^2/2)T}{\sigma\sqrt{T}}$

M3-37 "The Black-Scholes Formula": $d_1 = \dfrac{\ln[S(0)/K] + (r - \delta + \sigma^2/2)T}{\sigma\sqrt{T}}$

M3-41 #14 line -3: change 36.5 to 36

M3-43 Solution to #5: Change 58.0111 to 5.80111. The last sentence should read
… not involved in the Black-Scholes call pricing formula.

M3-45 Solution to #12, line 6: $F^P_{0,T}(x) = 1.2e^{-0.02 \times 0.5}$

M3-46 Solution to #14, line 2: $d_1 = \dfrac{\ln\dfrac{40}{36} + \dfrac{0.4^2}{2}}{0.4}$, line 5: $d_1 = \dfrac{\ln\dfrac{40}{46} + \dfrac{0.4^2}{2}}{0.4}$

Solution to #15: line 3: $d_1 = \dfrac{\ln\dfrac{75}{70} + \dfrac{0.35^2}{2} \times \dfrac{8}{12}}{0.35\sqrt{8/12}}$

M3-47 line 1: $d_1 = \dfrac{\ln\dfrac{75}{80} + \dfrac{0.35^2}{2} \times \dfrac{8}{12}}{0.35\sqrt{8/12}}$

M3-84 line 1: For a ~~nondividend-paying~~ stock that follows