**ACTEX MFE Study Manual**

**July 2017 Edition**

**Errata**

**March 23, 2017**

M1-18 Solution to #2:

The second sentence should read "The profit is $10 \times 99.6 - 10 \times 100.4 = -8$."

M1-40 Solution to #7:

Answer: (B)

$E(S) = 750 \times 0.2 + 850 \times 0.5 + 950 \times 0.3 = 860$.

If the jeweler does not use forward to lock in the future selling price of gold, the profit is $E(700 + 0.2S - S) = 700 - 0.8 \times 860 = 12$.

If a forward is used, then the jeweler would pay 850 at time 1 to obtain gold. The profit is $700 + 0.2 \times 850 - 850 = 20$.

The expected profit is increased by 8.