

10/11/2012 Update for Summer/Fall 2012 Exam Cycle

MFE/3F Questions Errata

Chapter 20

10/11/12 **Question 23.** The question refers to one-year options when it should refer to two-year options. The corrected version of the middle paragraph is below:

"Consider a special 2-year European call option that pays $[S(2)]^2 - K^2$ if $[S(2)] > K$ and nothing otherwise. Also, consider a special 2-year European put option that pays $K^2 - [S(2)]^2$ if $[S(2)] < K$ and nothing otherwise. These options are known as power options. Both options have the same constant value for K ."

7/9/12 **Question 26.** The last expression in the question is mistakenly shown to be

$$d\left[(\ln S(t))^2\right]. \text{ The corrected expression is } d\left[\ln(S(t))^2\right].$$

7/9/12 **Question 27.** The last expression in the question is mistakenly shown to be

$$d\left[(\ln S(t))^2\right]. \text{ The corrected expression is } d\left[\ln(S(t))^2\right].$$

Chapter 23

7/20/12 **Question 4.** In the final sentence of the question, the words "lognormal distribution" should be replaced with "stock's continuously compounded rate of return."