

Interest Theory (2nd Edition)

Errata

(Updated on 11/23/2021)

Chapter 1

Page 15, Question 1.02. As written, Choice C is FALSE, which makes it a possible correct answer. The corrected version of Choice C, which is TRUE, is:

C. The demand for funds to borrow decreases as the interest rate increases.

Chapter 2

Page 28. In the middle of the page, the sentence above the graph should say that the graph shows how \$1,000 increases, not \$100.

Chapter 7

Pages 95-96. A few textbooks are missing pages 95-96. The missing pages can be found at:

http://actuarialbrew.com/data/documents/IT_Textbook_2018_Pages9596.pdf

Chapter 10

Page 146. In the final equation of Example 10.04, 1.07^2 should be replaced with 1.03^2 . The corrected version appears below:

$$PV_0 = 100 + \frac{100 \times 1.03}{1.10} + \frac{100 \times 1.03^2}{1.10^2} + \dots = \frac{100 - 0}{1 - \frac{1.03}{1.10}} = \mathbf{1,571.43}$$

Chapter 11

Page 157. In the first equation at the top of the page, the final minus sign should be a plus sign. The corrected version appears below:

$$(1+i)^2 L_0 - AV_2 \left(\begin{array}{l} \text{Payments made on} \\ \text{or before time 2} \end{array} \right) = 1.05^2 \times 1,000 - [250 \times 1.05 + 300]$$

Page 166. In Question 11.04, Choice E should be **4,453**, not 4,452.

Chapter 13

Page 204. A few textbooks are missing page 204. The missing page can be found at:

http://actuarialbrew.com/data/documents/IT_Textbook_2018_Page204.pdf

Chapter 14

Page 242. The first sentence of Exam 14.14 should not contain the word "semiannual." The corrected sentence is, "A 3-year coupon pays 5% annual coupons."

Page 246. The second line of the first mathematical expression on the page is missing a set of parentheses. The corrected version is below:

$$= \frac{\left(1 + \frac{y^{(m)}}{m}\right)^{-2} \left(\sum_{t \geq 0} \left[t^2 \times PV_0(CF_t) \right] + \sum_{t \geq 0} \left[\frac{t}{m} \times PV_0(CF_t) \right] \right)}{\sum_{t \geq 0} PV_0(CF_t)}$$

Chapter 17

Page 313. In the first equation of Section 17.05, F_s should be F_2 . The corrected version appears below:

$$\begin{aligned} c \left[F_1 \times v_{spot}^1 + F_2 \times v_{spot}^2 + \dots + F_n \times v_{spot}^n \right] \\ = F_1 \times f_0 \times v_{spot}^1 + F_2 \times f_1 \times v_{spot}^2 + \dots + F_n \times f_{n-1} \times v_{spot}^n \end{aligned}$$

Page 315. The second line of the expression appearing above the Key Concept should be deleted. The corrected version appears below:

$$\begin{aligned} \text{Value to fixed-rate payer} &= PV_t(\text{Floating-rate payments}) - PV_t(\text{Fixed-rate payments}) \\ &= \sum_{j=1}^n \left(F_j \times v_{spot}^j \times f_{j-1} \right) - c \times \sum_{j=1}^n \left(F_j \times v_{spot}^j \right) \\ &= \sum_{j=1}^n \left(F_j \times v_{spot}^j \times [f_{j-1} - c] \right) \end{aligned}$$

Chapter 18

Page 329. The numbered list should begin with 1, not 3. The corrected version is shown below:

1. Maintain the safety and soundness of the nation's banking system
2. Support the smooth operation of the nation's payment and settlement system