

1B, pages 71, last exercise: the density at 1 of a Poisson with $\lambda = (3)(.3) = 0.9$: **0.9** $e^{-.9}$.

1C, pages 105-106: There is a second question numbered 8.34; it should be 8.35, etc. For example, CAS 3, 5/50, Q.10, should have been numbered 8.38.

1I, page 310, sol. 4.34: $S(x) = 1 - F(x) = (\theta/x)^\alpha = 0.11 \cdot 2/x^{1.2}$.

$$\int_{-\infty}^{-2} 15 S(-t) dt = 15 \int_2^{\infty} S(x) dx = 15 \int_2^{\infty} 0.11 \cdot 2/x^{1.2} dx = (15) (.11 \cdot 2 / \{(2)(2 \cdot 2)\}) = (15)(.2746) = 4.12.$$

3A, pages 7-9. The SOA/CAS have updated the file of Sample Exam questions. There are now a total of 60 sample questions.

Questions 1 to 49 are old and are in my Study Guide. (See my pages 7-9 for the chart.)

50. Minor rewrite of Q.22.40 (4, 5/07, Q.4)

51. Minor rewrite of Q.27.15 (4, 5/07, Q.34)

52. Minor rewrite of Q.65.12 (4, 5/07, Q.19)

53. Would go in my Section 52.

54. Would go in my Section 51. See also my Section 48.

55. Would go in my Section 25.

56. Would go in my Section 44.

57. Would go in my Section 67.

58. Would go in my Section 67.

59. Would go in my Section 67.

60. Would go in my Section 71.

3A, pages 7-9. The SOA/CAS have released the Spring 2009 MFE/3F Exam.

1. Would go in my Section 14.

2. Section 45. See also my Section 44. B was the intended answer, but they also allowed A.

3. Would go in my Section 11. See also my Section 12.

4. Would go in my Section 53.

5. Would go in my Section 74.

6. Would go in my Section 60.

7. Would go in my Section 17.

8. Would go in my Section 62.

9. Would go in my Section 6.

10. Would go in my Section 59. Similar to my Q. 59.14.

11. Would go in my Section 61.

12. Would go in my Section 4. See also my Section 3.

13. Would go in my Section 34.

14. Would go in my Section 75. Similar to my Q. 75.20.

15. Would go in my Section 70.

16. Would go in my Section 58. See also my Section 22.

17. Would go in my Section 31.

18. Would go in my Section 59. See also my Section 58.

19. Would go in my Section 26.

20. Would go in my Section 32.

3C, page 100, next to last line: $3e^{-.05/6} = 2.98$

3C, page 101, lines 4 and 8: $\$100 e^{-.05/6} = \mathbf{\$99.17}$

3C, page 118, lines 4 and 7: Our replicating portfolio would be worth: $\Delta(5.40 - 5.00) + B e^{.01}$.
 $\Delta(5.40 - 5.00) + B e^{.01} = .20$.

3C, page 134, first exercise: $(.8)(100) + (.2)(200) = \mathbf{120}$. $120/1120 = 0.107$.

3E, page 200: in the tables attached to the exam, will be shown: the Distribution Function, density, and formula for the nth moment of a LogNormal Distribution.

3M, page 482, Q. 53.9: extra words "years from now"

3Z, p. 973, solution 68.24: $p^* = (105 - 95)/(110 - 95) = 2/3$.

3Z, p. 1004, solution 75.26: $r_u = (5.94\%)(1.2214) = 7.26\%$.

Fin. Econ. Practice Exam #1, solution 22: If we exercise right away, we get $83 - 80 = 3$.
 If the stock price goes up the payoff is **10**, while if it goes down the payoff is 1.

The continuation value is: $\{10p^* + 1(1 - p^*)\}/e^r = (9p^* + 1)/e^r$.

$p^* = (83e^{-.025} - 81)/(90 - 81) = 9.2222e^{-.025} - 9$.

We want: $3 = (9p^* + 1)/e^r \Rightarrow 3e^r = 9p^* + 1 = 83e^{-.025} - 80$.

$\Rightarrow e^r = 80/(83e^{-.025} - 3) = 1.0263 \Rightarrow r = \mathbf{2.6\%}$.

Comment: Similar to Q. 10.12 (5B, 5/99, Q.34).

$p^* = (83e^{.026-.025} - 81)/(90 - 81) = 23.14\%$.

The continuation value is: $\{(10)(.2314) + (1)(1 - .2314)\}/e^{.026} = 3.00$.

4A: On the 5/09 Exam 3L, the CAS declared question 2 invalid.

For Q.13, they allowed A or D. For Q.16, they allowed A or D. For Q. 25, they allowed C or D.