

Errata for First Edition of Exam FM/Exam 2 Manual
(Last updated 9/10/06. See errata list for 3rd edition, pages 84, 115, 123, 132, 133, 142, 143, 146, 150, 317, 362 and 370. Also see entries below dated 9/10/06 for pages 178, 179, 196 and 203.)

[1/20/05] Page 2, top of page. Add another bullet to the points about past exam questions in the manual:

- Many of the CAS past exams gave a different point value to each question (1, 2 or 3). I have omitted the questions with a point value of 1, since I consider them to be too easy for the purpose of preparing for the exam.

[3/2/05] Page 2, paragraph immediately above the caption “Calculators”. Since the manual was published, I have contacted the chairperson of the exam committee, who confirmed that there will be 25 questions on the spring 2005 exam. (See also the paragraphs preceding Practice Exams 1 and 2 on pages 375 and 387.)

[1/20/05] Page 2, 3rd paragraph under “Calculators”. The web site www.actuary.ca has changed to www.actuarialoutpost.com.

[1/20/05] Page 13, Q. 4. The answer is 5.45%, not 4.55%. ANS. (D)

[1/20/05] Page 22, Q. 1. Insert a note before the solution: “It is poor practice to use i to represent a nominal rate of interest, since i is defined as the effective rate. However, past exams have used this kind of loose notation on a number of occasions.”

[1/20/05] Page 22, last line of solution to Q. 3. The interest rate .122462 was omitted as a factor in the equation for X , but the correct result 38.9 is based on using this factor.

[1/20/05] Page 23, Q.10, 2nd line. The exponent of $(1 + j/2)$ should be 10, not 16. The solution uses the correct exponent.

[1/20/05] Page 27, Note 2 (about 8 lines down). The definition of the force of discount is *minus* the derivative of $1/a(t)$ divided by $1/a(t)$, The minus sign is used because $1/a(t)$ is normally a decreasing function of t , so it has a negative derivative. We want the definition to produce a positive rate when a fund is growing.

[1/20/05] Page 38, Q.3, 2nd line. Should be $\ln 1.1025$, not $\ln .1025$. The solution uses the correct value.

[9/28/05] Page 38, Q.4, next-to-last line. The value of n^3 is 693.147, not 693.47.

[1/20/05] Page 39, Q.6, 1st line. The numerator of the integrand should be 0.5, not 5. The solution uses the correct value.

[1/20/05] Page 42, Q. 23, last line. The exponent of e should be .066... , not .66... . The solution uses the correct value.

[1/20/05] Page 50, Q. 1, last line. $X = 784.54$, not 785.54.

[1/20/05] Page 50, Q. 2. Insert a sentence at the beginning of the solution: “Use time 5 (the date the interest rate changes) to evaluate all payments.”. Also, on the 2nd line, 13,380 should be 13,382 and on the last line, $X = 24,499$, not 24,453.

[1/20/05] Page 51, Q. 7, 1st line. The exponent “2” on i should be a subscript. Also, the numerator of the integrand should be $.2t$, not $.02t$. The solution uses the correct value.

- [1/20/05] Page 52, Q. 14, 1st line. The exponent of t on the right-hand side should be $3/2$, not $2/3$. The solution uses the correct value.
- [1/20/05] Page 52, Q. 15, last line. The factor 1.795886 should be 1.795856 and $X = 29,452$.
- [1/20/05] Page 57, Q. 3, 2nd line. The opening bracket in the exponent of e should be after the “2”:
 $2[\ln n - \ln(n - 1)]$.
- [1/20/05] Page 57, Q. 4, last line. Replace “.06” in the denominator of the force of interest by “.06 t ”. The value of the denominator is 1.03375, not 1.04875. The answer is still .029 to 3 decimals.
- [1/20/05] Page 67, Q. 3, 1st line. Should say “will double in **20** years”, not 2.
- [1/20/05] Page 69, Q. 16. This question actually belongs in Section 3 (although you could answer it by summing a geometric series).
- [1/20/05] Page 70, Q. 17, next-to-last line of the question. The last word on the line should be “and”, not “are”.
- [1/20/05] Page 72, 1st line. 10,000 should be added to the right-hand side of the equation. The solution uses the correct equation.
- [1/20/05] Page 72, Q. 10, last two lines. Put 944.66 in place of 994.66. The solution uses the correct value.
- [1/20/05] Page 72, Q. 12, last line. The denominator should be 16, not 15. The solution is based on the correct value.
- [9/28/05] Page 73, Q. 15, 1st and 3rd lines. Replace .40183 by .40188. The answer remains the same.
- [2/4/05] Page 79, time diagram. Payment at time $(n - 1)$ is 1, not i .
- [5/17/05] Page 84, Q. 7. This question should actually appear after Section 3i of the manual.
- [2/4/05] Page 87, Q. 1. The denominator of the fraction for X should be 957.366577, and $X = 324.72$. ANS. (A).
- [2/4/05] Page 87, Q. 2. The rounding of some of the values is not correct but the final answer is.
- [2/4/05] Page 87, Q. 7, 2nd line. 1,000 should be in the numerator of the fraction. $R = 150.80$.
 Notes: (1) The final payment can be computed by entering $N = 12$, $\%i = 3.5$, $PV = 1,000$ and $PMT = 100$, then $CPT FV = 50.87$, so the final payment is $100 + 50.87 = 150.87$.
 (2) The question is a little ambiguous. The PV “at the beginning of the ninth year” could be interpreted to include the payment of 100 due at time 8. The official SOA solution excluded this payment.
- [2/4/05] Page 88, Q. 8. In the footnote, the symbol should be described as the PV of a 10-year deferred life annuity-**due** of 1 per annum.
- [2/4/05] Page 88, Q. 9, 3rd line. The subscript on the last term in the denominator should be 19, not 20. The solution uses the correct value.
- [2/4/05] Page 88, Q. 11, 2nd line. The 2nd equal sign should be a minus sign.
- [2/4/05] Page 89, Q. 15. For greater clarity, x should be described as the monthly rent **as originally scheduled for 1986** and kx as the rent effective 7/1/86 **under the revised schedule**. Also,

on the 2nd line, the 16 in the angle should be 6 and there should be double-dots on the 24-year annuity symbol. The solution uses the correct values.

[2/4/05] Page 91, 8 lines from the bottom. The symbol for the 2-year deferred annuity should have a 7 in the angle, not a 9.

[4/4/06] Page 99, Q. 22. See errata for 3rd edition for comments on this question.

[9/28/05] Page 102, Q. 11, 3rd line. Place 14.78368 by 14.78360.

[2/4/05] Page 103, Q. 14. For greater clarity, P should be defined as the payment from the 10-year annuity and also from the perpetuity.

[1/20/05] Page 103, Q. 14, 1st line. $6/i$ should be $1/i$. The solution uses the correct value.

[1/20/05] Page 103, Q. 16, 1st line. " $500/0.1$ " should be $500/(1 + 1/0.1)$ (PV of a perpetuity-due). The solution uses the correct value.

[2/4/05] Page 104, Q. 23, last line. Replace 12 in the numerator by 10. The solution uses the correct value.

[1/20/05] Page 108, Q. 1 next-to-last line. "yer" should be "year".

[1/20/05]. Page 111, Q. 7, next-to-last line. Coefficient of "a angle n" should be 1,538, not 1.538. The solution uses the correct value.

[1/20/05] Page 111, Q. 9, next-to-last line. "4.05367" should be 4.05267

[4/4/06] Page 113, first line, right-hand side of equation. Should be **1,000**, not 10,000.

[2/4/05] Page 114, Q. 5, 1st line. Should be \$1,004, not #1,004.

[2/4/05] Page 118, Q. 6, 5th line. The numerator should be $1 - 0.3$. The solution uses the correct value.

[2/4/05] Page 120, Q. 15. j (the monthly effective rate) is actually equal to .999386% and $i = (1 + j)^{12} - 1 = 12.67\%$.

[9/28/05] Page 123, Q. 2, 1st line. (s angle 15) should be (s angle 5). The solution uses the correct value.

[3/2/05] Page 132, 4th paragraph. Should say "m-thly installments", not "monthly".

[3/2/05] Page 132, 1st line under caption "Perpetuities". Should say "m-thly payments", not "monthly".

[3/2/05] Page 141, Q. 2, last line. The annuity symbol should have double dots on it. The solution uses the correct value.

[3/2/05] Page 142, Q. 8, 2nd line. $1 + j = 1.002000257$ and $j = .2000257\%$. The solution uses the correct values.

[2/4/05] Page 143, Q. 10, 3rd line. The fraction should be $(60,000 - 38,834)/238.2067 = 88.86$. The answer remains (C).

[2/4/05] Page 143, Q. 11, 4th line, left side of equation should be $12X/(i \text{ upper } 12)$. The solution uses the correct value.

- [2/4/05] Page 143, Q. 13. “300” should be “3,000”. The solution uses the correct value.
- [3/15/05] Page 143, Q. 15, 3rd line. $k = 10,336$, not 10,366.
- [1/20/05] Page 143, Q. 16. $X = 10,405$, not 10,045..
- [2/4/05] Page 144, Q. 19, 1st line. Inside the parenthesis, the 1st term is v^3 , not v^5 . The solution uses the correct value.
- [2/4/05] Page 145, Q. 24, 2nd line. The exponent of 1.02 should be $\frac{2}{3}$, not 1.5. The solution uses the correct value.
- [9/28/05] Page 145, Q. 26, 4th and 5th lines should be: $(v^4 - v^28)/[(1 + i)^3 - v]$
 $= [(1 - v^{28}) - (1 - v^4)]/[(1 + i)^3 - 1 + (1 - v)]$
 $= (a \text{ angle } 28 - a \text{ angle } 4)/(s \text{ angle } 3 + a \text{ angle } 1).$
- [2/4/05] Page 148, 1st line: There should be an exponent of 6 on $(1 + j)$. 2nd line: $j = 1.02^{.25} - 1$. The solution uses the correct value.
- [2/4/05] Page 151, 3rd line. Should say “m-thly”, not “monthly”.
- [2/4/05] Page 152, item 6 of the numbered items at the top. The numerator of $s \text{ angle } n$ and $s \text{ double-dot angle } n$ is $(1 + i)^n - 1$.
- [2/4/05] Page 155, Q. 8, 6th line. Should be $a(t) = 1 + .01t$, not $la(t) = 1 + .01t$.
- [2/4/05] Page 156, Q. 2, last line. The fraction is $2.48/41.335$, not $2.48/44.335$. The solution uses the correct value.
- [9/28/05] Page 159, last line, right hand side of equation. $-v^n$ should be $-nv^n$.
- [3/2/05] Page 164, 4th paragraph, 3rd line. The last term should be mn/m^2 , not m^n/m^2 .
- [5/17/05] Page 176, Q. 8, 2nd line. Should be **plus** 200, not minus. The solution uses the correct value.
- [4/4/06] Page 177, Q. 13, first and last lines. Replace 9.76 by **10.24**. The final answer on the last line is **124.93**, not 124.45. The answer is still (A).
- [3/2/05] Page 177, Q. 14, 4th line. The second “P” should be deleted.
- [3/2/05] Page 178, Q. 17. Item (2) should be (Ds) angle 5 (accumulated value). Multiply by $(1.05)^5$ to obtain 17.12. This is still less than 20.
- [9/10/06] Page 178, Q. 19, 5th line. Should say “will be found **to be less than** 3,500.”
- [9/10/06] Page 179, Q. 22, last line. Replace 1,449.23 by **1,499.23**.
- [3/2/05] Page 180, Q. 25. The value X as used in the solution is the payment on 4/1/96 (the 1st payment remaining after 1/1/96). To get the 1st payment on 4/1/91, add $20 \times \$300 = \$6,000$ to X: $5,711 + 6,000 = 11,711$. Ans. (C), not (A).
- [3/2/05] Page 181, Q. 30, 4th line. The quadratic is $100j^2 - j - 1 = 0$. The solution uses the correct equation.
- [3/2/05] Page 184, Q. 42. This was the SOA solution. A simpler approach is to multiply PV by v^4 and subtract the result from PV. After summing the geometric progression, the PV will be in

terms of v^4 and its powers. Substitute $v^4 = .75$.

[3/2/05] Page 192, Q. 2, 1st line. Inside the brackets, the entire 2nd term $(1 + k)/1.092$ should be squared, etc. The correct terms are used in summing the geometric series.

[3/2/05] Page 192, Q. 3, 2nd sentence. Should say “The *PV* s of the equivalent payments ...”.

[3/2/05] Page 193, Q. 6, 3rd line. The term inside the brackets should be $(1.03/1.07)^{20}$, not $(1.03/1.09)^{20}$. The solution uses the correct value.

[9/10/06] Page 196, Q. 18, 1st and 2nd lines. Delete the coefficient 12 where it is shown 3 times on the right-hand side of the equation.

[3/2/05] Page 196, Q. 18, 2nd line. “102” should be “1.02”. The solution uses the correct value.

[3/2/05] Page 197, Q. 22, 2nd line. Left hand side is 32,400, not 32,000. The solution uses the correct value.

[3/2/05] Page 201, Q. 3, answer (E). There should be a closing parenthesis in the numerator.

[3/2/05] Page 201, Q. 5, 3rd line. Should say “*f is a perpetuity*”, not “*if*”.

[3/2/05] Page 202, Q. 1, 5th line. The term in parenthesis should be $18/(8 + t)$, not $18/(1 + t)$. The solution uses the correct value.

[9/10/06] Page 203, Q. 5, 8th line. The term $(1 - k^n)$ should be $(1 - kn)$.

[3/2/05] Page 206, Q. 2, 1st line. Should say “increasing by **\$I** from \$1 to \$10”.

[9/28/05] Page 217, Q. 21. The question should include “You are given that $s_{\text{angle } 30} = 79.058$ and $s_{\text{angle } 30} \text{ at } 7\% = 94.461$ ”. (At the time this exam was given, financial calculators were not permitted.)

[3/2/05] Page 218, Q. 22. There should be an additional paragraph at the beginning that says “James invests 2,000 at an effective annual interest rate of 17% for 10 years. Interest is payable annually and is reinvested at an effective annual rate of 11%. At the end of 10 years, James’ accumulated interest is 5,685.48.”

[3/2/05] Page 219, Q.2. The solution should use Z for the deposit, not 100. However, the deposit cancels out in the ratio Y/X, so it makes no difference in this problem.

[3/2/05] Page 220, Q. 8, 4th line. There should be an equal sign between j and the fraction.

[3/2/05] Page 221, Q. 12, 1st line. Replace 1,000 by 10,000. The solution uses the correct value.

[5/17/05] Page 221, Q. 14. The unknown is P, not X.

[10/11/05] Page 222, Q. 20, 1st line. The symbol for the AV of the increasing annuity should be $(Is)_{\text{angle } 29}$, not $(Is)_{\text{angle } 30}$. The solution uses the correct value.

[1/20/05] Page 230, Q. 13. In the table for Fund X, the value of the fund on 1/1/93 is **50,000**, not 100,000.

[1/20/05] Page 232, Q. 1, 1st fraction. The last term in the denominator $(2/12)$ should be multiplied by 35. The solution uses the correct value.

[1/20/05] Page 232, Q. 2, 1st line. Total interest earned = $125 - 100 - 2X + X = 25 - X$. The solution uses

the correct value.

[1/20/05] Page 232, Q. 3, 1st line. Should be $1 + j = 1.05$, not 5%. Solution is based on correct value.

[1/20/05] Page 232, Q. 4. For a clearer solution, go to the FM page on this web site and click on the Excerpt link.

[3/15/05] Page 242. table in middle of the page. The subscript on R should be 1 in the 1st year and 2 in the 2nd year, not t.

[3/15/05] Page 252, Q. 28, 1st line. Should be “15-year loan”, not “15-loan”.

[3/15/05] Page 254, Q. 40, Ans. (C). Replace “C” by “X”.

[10/11/05] Page 257, Q. 58. This question actually belongs in Section 6f.

[3/15/05] Page 258, Q. 68, 2nd line. The interest rate is 5%, not 4%. (At 4%, the answer would be 10,814.)

[3/15/05] Page 260, Q. 3. For greater clarity, R should have been used for the annual payment, not P. The 3rd line of the solution can be ignored. (It is not necessary to determine the amount of the loan.)

[3/15/05] Page 260, Q. 6, 1st line. The parenthesis should be closed just after the fraction. The solution uses the correct expression.

[3/15/05] Page 261, 5th line. Should be $Y = 1,384.74v^9$. The solution uses the correct value.

[3/15/05] Page 261, Q. 9, 1st line. $j = .643403\%$, not 8.33...%. The solution uses the correct value.

[3/15/05] Page 261, Q. 10, 3rd line: The expression should be set equal to 8,000. 5th line: Should be 10,711.56, not 10,771.57. The solution uses the correct value.

[3/15/05] Page 263, Q. 25, 3rd and 4th lines. $X = 857.64$, not 875.64. The solution uses the correct value.

[3/15/05] Page 264, Q. 28, 1st line. Should be 7,190.87, not 7,140.87. The solution uses the correct value.

[3/15/05] Page 264, Q. 31, end of 1st line. Should be 57,476 (or more accurately, 57,477.74), not 54,476.

[3/15/05] Page 264, Q. 33, 1st line. Should be v^{293}/v^{292} . (Actually, since the ratio of the principal repaid in any payment to the principal repaid in the previous payment is $(1 + j)$, we don't really have to determine the exponents of v .)

[5/17/05] Page 266, Q. 45, 1st line. The exponent of 1.15 should be 4, not 14. The solution uses the correct value.

[3/15/05] Page 266, Q. 48, 4th line. Actually, the ratios shown are $(P_{sub 1})$ to $(P_{sub 3})$ and $(P_{sub 3})$ to $(P_{sub 5})$. Of course, this leads to the same solution.

[3/15/05] Page 267, Q. 49, 1st line. Should be $(1 + j)^{12}$, not $(1 + j^{12})$.

[5/17/05] Page 267, Q. 50. This is a very difficult problem to do under exam conditions. The wording is also a little ambiguous. It's a good candidate for skipping and coming back to if you have any time left.

For greater clarity, here is a more detailed solution: We will omit 1,000. In addition to the first payment of 1, a payment of the principal in the next payment is made. This is equal to $v^{180-2+1} = v^{179}$. This is the PV of the payment due at time 180, so at this point, payments are due only until time 179. In addition to the payment of 1 at time 2, a payment equal to the principal in the next payment is made. Since the loan has only 177 payments remaining (until time 179), the additional payment is equal to $v^{177-1+1} = v^{177}$. This is the PV of the payment due at time 179, so at this point, payments are due only until time 178. Continuing in this manner, each additional payment reduces the term of the loan by one month. Thus, by the 90th additional payment, the loan is paid off. The interest saved is equal to the total payments under the original schedule minus the total payments under the revised schedule = $180 - (90 + v^{179} + v^{177} + \dots + v)$. The series can be summed either by using “fission” or by using the geometric progression formula. A little messing around will get it in the form of Answer (D).

[3/15/05] Page 267, Q. 52, 1st line. Should be $j = 1.04^{1/4}$. (1/4 is an exponent.)

[3/15/05] Page 268, Q. 62, 3rd line. The term of the annuity should be $(t - 1)$, not t . The next line shows the correct term.

[9/28/05] Page 269, Q. 67, 3rd line. The result is 6, not 6.240. The solution uses the correct value.

[3/15/05] Page 269, Q. 69, 4th line should be $24 - 16.753179 = 7.246821$. 5th line should be 16.753179 and ratio = $7.246821/16.753179 = .43$. The answer is still (A).

[5/17/05] Page 282, Q. 19. The solution is incorrect. Replace it by the following:
Determine the loan balance after 48 payments of \$150: $B_{\text{sub } 48} = 8000(1.01)^{48} - 150(s \text{ angle } 48)$. (On the BA-35, enter $N = 48$, $\%i = 1$, $PV = 8000$, $PMT = 150$, then $CPT FV = 3,714.42$.) To determine P , leave N and FV in the registers, enter $.66\dots$ in $\%i$, then $CPT PMT = 65.92$.

[3/15/05] Page 295, Q.7, 1st line. Loan balance is 42.520264. The solution uses the correct value.

[3/15/05] Page 295, Q. 8, 2nd line. Should be AV , not PV . Also, should be $1,000(s \text{ angle } 5)$, not 100. The solution uses the correct value.

[3/15/05] Page 296, Q. 13, 4th line. Should be 1.04^9 , not 1.09^9 . The solution uses the correct value.

[3/15/05] Page 296, Q. 16, 1st line. $(a \text{ angle } 6)$ should be multiplied by 230, not 240. The solution uses the correct value.

[3/15/05] Page 302, Q. 2, 3rd line. Should be $(a \text{ angle } 20)$, not $(a \text{ angle } 10)$. The solution uses the correct value.

[3/15/05] Page 302, Q. 3, 6th line. $t = 12.63$, not 12. 13. The solution uses the correct value. (It makes no difference in this case.)

[3/15/05] Page 302, Q. 4, 3rd line. Should be $(a \text{ angle } 20)$, not $(a \text{ angle } 15)$. The solution uses the correct value.

[3/23/05] Page 309, 5th line. $a \text{ angle } n = 7.02273$.

[3/23/05] Page 311, Q. 1, item (ii) under Bond Y should say “Price to yield an effective rate i per half year is 647.80”.

[3/23/05] Page 317, Q. 2. For greater clarity, just after the 2nd line it should be stated that since the price assumes 6% compounded semiannually and the coupon rate is also 6% semiannually, Bill pays

- 1,000 for the bond.
- [3/23/05] Page 317, Q. 3, 2nd line. In the brackets, there should be a plus sign after the 2nd term 1.03/1.0825. Also, the exponent of the last term should be 20, not 10. The solution uses the correct values.
- [3/23/05] Page 318, Q. 5, next-to-last line. The fraction should be 1.06/1.04. The solution uses the correct value.
- [3/23/05] Page 320, Q. 16, last equation. The denominator should be .1236, not .1263. The solution uses the correct value.
- [3/23/05] Page 320, Q. 17, 1st line: Exponent of v should be 10, not 4. 4th line: After the first equal sign, should be $1,000r(\text{a angle } 10)$. The solution uses the correct values.
- [3/23/05] Page 320, Q. 18, 4th line. Should be 913.07, not 913.67.
- [3/23/05] Page 321, Q. 20, 2nd line. Price = 1,189.43, not 1,189.83.
- [3/23/05] Page 322, 2nd line. $(1.75 - 100i)$ should be multiplied by $(\text{a angle } t)$. The solution uses the correct expression.
- [3/23/05] Page 322, Q. 27, 2nd line: Should be $P - Q = 10(\text{a angle } n)$. 4th line: The 2nd plus sign should be an equal sign.
- [3/23/05] Page 323, Q. 35, 1st line: 2nd equation should be $1 + q = (r/2)(\text{a angle } n)$. 3rd line: The price of the bond with double coupons is $2r(\text{a angle } n) + v^n$. The solution uses the correct values.
- [3/23/05] Page 324, Q. 38, 4th line. The numerator of the fraction should be $(1 - 190/1,100)$. The solution uses the correct value.
- [3/23/05] Page 329, Q. 7, items (ii) and (iii). Should say “purchased at a *premium* of Y and $2X$, not a discount.
- [3/23/05] Page 332, Q. 3, 3rd line. Should be $2.5v^5$, not $12.50v^5$. The solution uses the correct value.
- [3/23/05] Page 332, Q. 6, last line. The result is exactly 6.52, not 651.98.
- [3/23/05] Page 333, Q. 9. $(1 + i)$ actually solves to 1.065002. Use $\%i = 6.5$, with the result that price = 1,122.38.
- [3/23/05] Page 333, Q. 11, last line. Price is 819.41, not 819.44.
- [3/23/05] Page 333, Q. 14, 2nd line. Should be v^8 , not v^7 . The solution uses the correct value.
- [3/23/05] Page 333, Q. 15, 2nd line. The subscript on P should be 10, not 6. The solution uses the correct value.
- [10/11/05] Page 334, Q. 19. The question is somewhat ambiguous, because it doesn't say whether book values are based on the overall yield rate of 6% (which takes into account the reinvestment of the coupons at 5%), or whether they are based on the yield rate ignoring the reinvestment of the coupons.
- Ignoring the reinvestment of the coupons, the yield rate is the solution of $839.33 = 40(\text{angle } 10) + 1,000v^{10}$ at i . The calculator gives $i = 6.204154\%$, so the book value at the end of one year = $(839.33)(1.06204154) - 40 = 851.40$. This answer is in the same range as (B).

- [3/23/05] Page 336, 5th line: Should say “Price on 7/1/2013” The solution uses the correct date. 6th line: Should be 37.50, not 3750.
- [3/23/05] Page 340, Q. 4, 3rd line. Should be 9.411765%. The solution uses the correct value.
- [3/23/05] Page 344, 2nd line. The annuity should be (a angle 11), not (a angle n).
- [3/23/05] Page 347, Example 1, 2nd line. Should say “by a constant ratio (1 + k)”, not k.
- [3/23/05] Page 350, Q. 3, 4th line. The term + Pv^{10} was omitted. The solution uses the correct value.
- [3/23/05] Page 351, Q. 8, 2nd line. In the numerator of the fraction in the brackets, the numerator of 1.05^2 should be 1, not 2. The solution uses the correct value. Also, the solution could be simplified by first computing the effective rate for a one year period using the formula $i = 1.05^2 - 1 = .1025$.
- [3/23/05] Page 364, middle of the page where i is expressed in terms of the quadratic formula. The minus sign should be in front of 3.02, not in front of the entire fraction.
- [3/23/05] Page 368, solution to (E). Should be 5.10, not 4.446. The correct value is shown in the table at the bottom of the page.
- [5/17/05] Page 370, 3rd line. Insert minus sign: $-P'(i)/P(i)$.
- [3/23/05] Page 379, Q. 1, 4th line. B sub 11 is actually 649.38, not 649.43, but the final answer is the same.
- [9/28/05] Page 379, Q. 3. Annuities with payments in polynomial progression have rarely appeared on the exam. Technically, this subject is on the syllabus. See Kellison’s Appendix VI.
- [3/23/05] Page 380, Q. 4, 2nd line. In the brackets, $(100)(0.5)$ should be $(100)(0.05)$. The solution uses the correct value.
- [3/23/05] Page 380, Q. 6, last line. The result of the arithmetic is $K = 138.60$.
- [3/23/05] Page 383, Q. 14, 7th and 8th lines. Should be 12.91 to the nearest .01, not 12.90. The solution uses the correct value.
- [3/23/05] Page 386, Q. 25, last 2 lines. PV should be 8,056, not 8,056.16 and $i = 4.136651\%$. The solution uses the correct values.
- [1/20/05] Page 388, Q. 8, 1st line. Change to “Jesse deposits X in a bank on **January 1**”.
- [1/20/05] Page 389, Q. 17, 2nd line. Should be “The amount of interest in the 5th coupon”, not the 4th.
- [1/20/05] Page 397, Q. 22, 1st line. “10,000/1.06” should be “10,500/1.06.” The solution uses the correct value. Also, at the end of the solution, add the following note: “A simpler solution, which is equivalent to the above, is to determine the one-year deferred one-year forward rate, using the method described in Section 9b of this manual: $i = a(2)/a(1) - 1 = 1.07^2/1.06 - 1 = 8.01\%$ ”.