

## Errata for 6<sup>th</sup> Edition of Exam FM/2 Manual (Last updated 5/26/08)

- [5/13/08] Page 30, Q. 7, 3<sup>rd</sup> line. On the right-hand side of the AV, 1,000 should be **1,300**.
- [9/23/07] Page 87, solution to Q. 2, 6<sup>th</sup> line. Should be **or  $3x^2$** , not  $3x^3$ .
- [5/13/08] Page 98, two lines under the diagram. The expression (s double-dot angle 4 plus 1) should be deleted. This is a correct expression for the AV of the annuity.
- [9/23/07] Page 102, Q. 34, 4<sup>th</sup> line from bottom. The symbol should be **1,000(a angle 8)**, not 1,000(angle 15).
- [5/13/08] Page 108, solution to Q. 1. See the comments on the errata list for the 7<sup>th</sup> edition.
- [9/23/07] Page 178, solution to Q. 1. Insert **ANS. (B)**.
- [5/26/08] Page 295, solution to Q. 33. See the errata for the 7<sup>th</sup> edition.
- [1/13/08] Page 371, Q. 6, answer (D). The range should be from \$103.40 to **\$104.00**, not \$104.80.
- [9/23/07] Page 382, Q. 5 & 6. Read the item on Treasury Bills in Section 8c before doing these problems.
- [1/13/08] Page 450, Q. 13. The answer is **(B)**, not (C).
- [9/23/07] Page 510, 4<sup>th</sup> line from bottom. The reference should be to Section **15a**, not 6a.
- [9/23/07] Page 526, “Ratio Spreads” at the bottom of the page. Different textbooks and other references designate the ratio spread in this example as being either a 1:2 or a 2:1 ratio spread. Hopefully, any problems on the exam will not use this form (m:n) to describe a ratio spread, because it is ambiguous.
- [9/23/07] Page 530, entry under “Ratio Spread”. Delete “(This is a 1:2 ratio spread.)”. See the comment above for page 526.
- [5/16/08] **Please note that there were previous posts on 1/13/08 for pages 532 and 534 that referred to spot prices at expiration of 100 and 110, rather than the correct spot prices of 110 and 120. The correct spot prices at expiration are shown in the following posts:**
- [5/16/08] Page 532, Q. 5. See the comment above for page 526. Change the question to read as follows: “A ratio spread using 90-strike and 110-strike options, with a payoff of 20 at a spot price at expiration = 110, and a payoff of 0 at a spot price at expiration = 120.”
- [1/16/08] Page 534, solution to Q. 5. Change the solution to read as follows: “A ratio spread is constructed by buying and selling unequal numbers of options at different strike prices. In order to get a payoff of 20 at a spot price at expiration of 110 and a payoff of 0 at a spot price at expiration of 120 using 90-strike and 110-strike options, we have to buy one 90-strike call option and write three 110-strike call options. The net premium paid for this combination is  $21.46 - 3 \times 11.33 = -\$12.53$ .”
- [1/13/08] Page 565, Q. 6. Change to “Dodi goes long a 6-month futures contract” (to clarify that that Dodi takes the long position).
- [1/13/08] Page 569, Section 19a, 3<sup>rd</sup> line. “1.000 units” should be **“1,000 units”**.

[1/13/08] Page 575, last line. Should be  $f_2 = 1.05^3 / 1.045^2 - 1 = 6.0072\%$ .

[1/13/08] Page 588, Q. 6. The 2<sup>nd</sup> sentence should read: "... Jan and Ted discover that each of the **15** payments ..." (insert 15), to make it clear that the error affected all of the payments.

[1/13/08] Page 593, Q. 7. Insert "**ANS. (C)**".

[1/13/08] Page 595, Q. 13, first line. Should be (**100** - .05X), not 1,000.

[1/13/08] Page 611, Q. 18. Insert "**ANS. (D)**".