Errata for 5th Edition of Vol. 3 of the Exam FM/2 Manual

(Last updated 1/13/08)

[1/13/08] Page 8, Q. 6. The 2nd sentence should say that "… 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 13, Q. 7. Insert "ANS. (C)".

[1/13/08] Page 15, Q. 13, first line. Should be (***100*** - .05X), not 1,000.

[9/23/07] Page 18, solution to Q. 24, 3rd line. Should refer to Section ***9b***, not 9c.

[2/16/07] Page 19, solution to Q. 27. Note that we did not consider the other ranges for X (i.e., 70 < X < 90 and X > 90) once we found a value for X that was consistent with X < 70. (You will find that if you try the other ranges, there will be an inconsistency.)

[2/16/07] Page 24, Q. 27 and page 34, solution to Q. 27. The solution to the problem as stated is x = .00264474 and X = .26, which is not one of the answer choices. There is a typo in the question: Rachel receives $1,493.50 from the broker, not $1,496. This will give the intended solution x = .001 and X = .10.

[9/23/07] Page 29, 2nd line, first equality. There should be a negative sign in the exponent of e.

[1/13/08] Page 31, Q. 18. Insert "ANS. (D)".

[5/15/07] Page 38, Q. 28. The premium for the 82-strike call should be designated as Y (or by any letter other than X).

[5/15/07] Page 45, solution to Q. 25. The solution is incorrect. The 1st sentence should say that an 80-90 bull spread is created by buying an 80-strike call and ***selling*** a 90-strike call. The paragraph before the last line should be deleted. The last line should read "Financing cost = 11.89 ***minus*** 7.72 = $4.17 Ans. (A)".

[2/16/07] Page 46, solution to Q. 28. Note that shorting a stock and purchasing a call is equivalent to purchasing a put. (Draw the diagrams.) Thus we can answer the question by determining the profit on a purchased put, for which we are given the premium.