




Announcements

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June 03, 2010 - June 10, 2010

 Wed, Jun 09, 2010 -- **Permanent** -- **Course grades submitted**
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Posted by: Paul Kettler

Dear All,

I have submitted final course grades to the administration. In all I was quite pleased with your performance. The range of grades, therefore, was somewhat higher than is typical for a BI course. The questions were challenging, as I saw, with one in particular #5 being especially difficult. See the entry on Course Documents to view the exam with answers. For #3 I gave credit for either my formulation (discounting the strike price) or Hull's (discounting the stock price.) Either approach has its reasons. Again, see the posted exam.

The distribution of grades for the 44 who sat for the exam was as follows.

- A 10
- B 24
- C 8
- D 1
- F 1

 Fri, May 21, 2010 -- **Permanent** -- **Final Exam Answers**
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Posted by: Paul Kettler

Dear All,

Forty-four students sat for the final exam. I hope you found it challenging, but not too much. I have your exams, but have not looked at them yet, saving that for Monday. I am posting in the Course Documents folder a copy of the exam which includes my answers.

I very much have enjoyed having you as my students, and wish that you keep in touch with me from time to time to let me know how your are doing. If you should need a letter of recommendation for a job or for continuing education, just ask. I will post grades as soon as I am able. There is another person grading, and we need to compare notes before the process is finished. Expect all will be done within a week.

Have a very pleasant summer.

Sincerely,

Paul

 Mon, Apr 26, 2010 -- **Permanent** -- **Information on Final Exam**
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Posted by: Paul Kettler

An unfortunate miscommunication occurred at the outset of our course resulting in my Syllabus not being adopted as the official Course Description, with consequences. My Syllabus was similar, but not

the same, as that used by the previous instructor, so I am now bound by the earlier version. The consequences are twofold.

1. I must assign weights of 25% and 75% to the midterm exam and final exam, respectively, not the 40% and 60% I had informed you. (I gave you a three hour midterm so that you could have a thorough understanding of your progress to that point. The previous instructor had given a one hour midterm.)
2. I cannot allow you to use your books and notes in the final exam. This has no practical effect, as I have focused the questions on principles and methods, not on formulaic recall of reference material.

I regret these misunderstandings and am doing my utmost to see that you have a fair assessment of your comprehension of the principles of the course, and that your final learning experience through this exam is a good one.



Wed, Apr 07, 2010 -- **Permanent** -- **Synopsis of lecture for Week 12 of course posted**

The synopsis of the lecture for Week 12 of the course, along with those of previous weeks, now appears in the 'Course Information' folder.

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Posted by: Paul Kettler



Wed, Apr 07, 2010 -- **Permanent** -- **Final Exam Preparation (continued)**

The final exam questions will be styled after selected exercises, enumerated below, from those assigned for Chapters 9–18, excluding Chapters 12–14. Emphasis will be on the principles embodied in these exercises, so do not expect that the exam questions will be exactly like them except for some changes in the numbers. However, if you understand how to work these exercises using the basic ideas of the course, you will be in fine condition for the final. There will be six questions for the three-hour open-book exam, as for the mid-term.

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Posted by: Paul Kettler

Here are the exercises.

- 9: 7
- 10: 8
- 11: 4, 5
- 15: 10, 18
- 16: 4, 16, 21, 22
- 17: 23
- 18: 4



Wed, Apr 07, 2010 -- **Permanent** -- **Scan of pp. 204–235 of the Cox and Rubinstein book**

I have placed a scan of pp. 204–235 of the Cox and Rubinstein book into the Course Documents folder. Included is a discussion of passing from the multi-period binomial option pricing model to the continuous Black–Scholes model, and the various charts we viewed in class yesterday for the 12th session of the course.

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Posted by: Paul Kettler



Wed, Apr 07, 2010 -- **Permanent** -- **Midterm exam papers not claimed**

Hi all — Some students have not yet claimed their midterm exam papers. They are Geir Brust, Even Kristoffersen, Frederikke Kristoffersen, Fredrik Emil Olsbu, Dmitrijs Soha, and Morten Stavik. If you are on this list please come to me in office hours 10–12 on Wednesday 14 April, or by appointment. Thanks.

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Posted by: Paul Kettler



Fri, Mar 26, 2010 -- **Permanent** -- **Final exam preparation**

The final exam will contain six questions of the format of the assigned problems in the Hull textbook for weeks of the course 7 through 12, insofar as these questions also pertain to topics covered in the lectures. The questions will be formulated to allow solution without calculator, in other words, using simple numbers. Full credit will be given for formulas properly set up, even though a final numeric solution may not be shown. In such cases, however, the formulas must be correct in every detail. Otherwise only partial credit is possible. Good luck to all!

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Posted by: Paul Kettler

 Wed, Mar 10, 2010 -- **Permanent** -- **Stochastic analysis reading**

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Here is recommended reading for those wishing to pursue further stochastic analysis with applications to finance. Be aware that courses in this field are offered by the mathematics department on the Blindern campus of the University of Oslo, and that BI students on occasion have taken them. I have had courses myself from both of these authors and can vouch personally for the quality of their work, as can many others.

Billingsley, Patrick, Probability and Measure, 3rd Ed., Wiley, New York 1995

Øksendal, Bernt, Stochastic Differential Equations, 6th Ed., Springer, Berlin 2003

Posted by: Paul Kettler

 Thu, Mar 04, 2010 -- **Permanent** -- **Stock mean and variance, one period model**

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I have posted in Course Documents an analysis of the mean and variance of the stock in the one-period option pricing model.

Posted by: Paul Kettler

 Wed, Mar 03, 2010 -- **Permanent** -- **Midterm, Final Exam weighting**

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Hi to all — I have been informed by the administration that the relative weighting of 25% for the Midterm Exam and 75% for the Final Exam as announced in the Course Description must be observed, as this document was written and circulated before I became contracted to teach the course. I will, of course, adhere to this standard, which means that my previously announced weighting of 40% and 60%, respectively, no longer applies. I regret any confusion on this point.

Posted by: Paul Kettler

 Wed, Mar 03, 2010 -- **Permanent** -- **Discussion of slides, Chapter 9**

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I have put a discussion of Slides 5, 7, and 10 for Chapter 9 into Course Documents.

Posted by: Paul Kettler

 Mon, Mar 01, 2010 -- **Permanent** -- **Answers to Hull text Problems 9.23 and 9.24**

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Answers to these Problems are now posted to Course Documents.

Posted by: Paul Kettler

 Mon, Feb 22, 2010 -- **Permanent** -- **Suggested reading on financial risk**

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The Economist of 13 February contained a special report of several articles on financial risk. I strongly recommend its reading. The collection of articles is at this link, and is available to the public. You can download a pdf if you like. (You will not be tested on this. I just think it is very good background reading to put what you are learning in this course into perspective.)

Posted by: Paul Kettler

http://www.economist.com/specialreports/displayStory.cfm?story_id=15474137

 Mon, Feb 22, 2010 -- **Permanent** -- **Midterm grades posted**

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I have posted grades in Grade Center for the Midterm Examination. Generally, I was very pleased with students' performance. I scored a total of 60 points, ten for each question. Deductions were made for significant errors, but not for simple mistakes in calculation. In all, many students could use more care in the details. The distribution went like this. Score 60–7; 59–13; 58–10; 57–5; 56–4; 55–2; 54–2; lower–2. A total of 45 took the exam.

Posted by: Paul Kettler

If you are one of the 'lower–2' — or *anyone* who desires assistance, please come to see me during my office hours Wednesday 10–12, or write or call for an appointment. The telephone in my office (C4–167) is 46 41 05 24.

I will demand a greater level of care in writing the Final Examination, and therefore anticipate a lower range of scores. (Surprise me!) The Midterm accounts for 40% of the course grade, the Final 60%. I will assign course grades as follows (all rounded up): 94–100 A, 91–93 A-, 88–90 B+, 84–87 B, 81–83 B-, 78–80 C+, 74–77 C, 71–73 C-, etc. Good luck for the rest of the course.



Mon, Feb 22, 2010 -- **Permanent** -- **Midterm Exam, with Answers, now posted**

See the Course Documents folder for the answers to the Midterm Exam. This includes a comment about Problem 4, which was incorrectly specified and misleading. Consequently, all students will receive full credit for their answers to that problem.

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Posted by: Paul Kettler



Tue, Feb 16, 2010 -- **Permanent** -- **Assignments for weeks 7 through 12 now posted**

Please note that problem assignments for the remaining weeks of the course are now posted.

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Posted by: Paul Kettler



Wed, Feb 10, 2010 -- **Permanent** -- **Date fixed for final meeting, Tuesday 6 April**

Several students have inquired about the possibility of moving the final (12th) meeting of the course from the assigned date of Tuesday 6 April to another date in order to accommodate extended Easter holidays. Unfortunately, owing to schedule conflicts of your instructor, and for BI, this will not be possible. For those students affected please see me or write to me so we can arrange an alternative time to meet for a brief tutorial, with study advice and references.

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Posted by: Paul Kettler



Wed, Feb 10, 2010 -- **Permanent** -- **More on midterm exam**

There will be no specific questions on the exam from Chapters 1–4 of our textbook (on the theory that all questions will come from material covered *both* in the book and in class.) However, knowledge of those chapters may be helpful in formulating answers to the questions, from Chapters 5 and 6, the focus of the exam. As stated in class, there will be no questions from Chapter 7.

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Posted by: Paul Kettler



Wed, Feb 10, 2010 -- **Permanent** -- **Syllabus and archive of Hull's slides now posted**

The Syllabus for the course, along with the archive of Hull's slides for the 7th International Edition, now appear in the 'Course Documents' folder.

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Posted by: Paul Kettler



Thu, Jan 28, 2010 -- **Permanent** -- **Midterm Exam Preparation**

I have placed commentary to help you prepare for the midterm examination into the Course Documents folder, at the top.

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Posted by: Paul Kettler



Wed, Jan 20, 2010 -- **Permanent** -- **Errata for Hull book**

The errata sheet published on author Hull's web site for the 7th International Edition only applies to one correction if you have the 4th printing of the book. That correction is to place parentheses around the quantity V_0 / D in the expression for d_1 following Equation (22.3) on Page 506. If you have a later printing try to check for this expression by snooping a bit. It's in a section called, "Using equity prices to estimate default probabilities."

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Posted by: Paul Kettler

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