

Errata and Updates for ASM Exam ALTAM (First Edition Second Printing) Sorted by Date

[7/26/2023] On page 79, on the last line of Section 5.3, change “state 1” to “state 0”.

[5/30/2023] On page 649, replace the last line of the solution to exercise 34.2 with

The value of the option at time 9 is $95,293 - 49,494 = 45,799$. The probability of persisting from time 8 to time 9 is

$$p_{33}^{(\tau)} = 0.95(1 - q_{33}) = (0.95)(1 - 0.000356) = 0.949662$$

The rehedging cost is $0.949662(45,799) - 44,065 = \boxed{-571}$.

[5/30/2023] On page 650, replace the last line of the solution to exercise 34.3 with

Total value of portfolio is 13.194. The probability of surviving one month is 0.999. The rehedging cost is $0.999(13.194) - 19.470 = \boxed{-6.289}$.

[5/30/2023] On page 754, replace the solution to question 6(d) with

The probability of persisting one year is $p_{50}^{(\tau)} = (0.95)(1 - 0.001209) = 0.948851$. So the value of the sold stock should be $39,322(0.79942)(1.2)(0.44044)(0.948851) = 16,614(0.948851) = 15,764$. The stock in the current hedging portfolio has increased 20% in value to $14,693(1.2) = 17,632$. The company therefore purchases $17,632 - 15,764 = \boxed{1,867}$ in stock.

[5/30/2023] On page 761, in the solution to question 6(c), replace the last line with

The probability of persisting one year is $(0.99)(0.97) = 0.9603$.

The cost of rehedging is $0.9603(158.12) - 211.05 = \boxed{-59.21}$.

[5/10/2023] On page 582, on the seventh line from the bottom of the page, change 91755.84 to 1755.84.

[5/10/2023] On page 601, on the fifth line of the fourth paragraph, change “be fund” to “by fund”

[5/10/2023] On page 602, in Example 30A, in the second enumerated list, #2, change $q_{5t+t}^{(w)}$ to $q_{55+t}^{(w)}$.

[5/10/2023] On page 613, in the paragraph beginning with “We deal”, on the second line, change “a stocks” to “as stocks”. On the third line, change “as stock” to “a stock”.

[5/10/2023] On page 614, 3 lines under “31.2 Introduction”, delete the second period after “logical order”.

[5/10/2023] On page 617, on the second line of the solution to Exercise 31D, change πk_{54} to ${}_k p_{54}$.

[4/18/2023] On page 644, on the fourth line, change 69,000 to 690.

[4/18/2023] On page 645, in the table at the bottom of the page, change the entry for G_1 from 69,000 to 690. Change the entries for Pr_1 and Π_1 from $-28,922$ to $39,388$.