

Errata and Hints for “Introduction to the Mathematics of Finance”
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Page 29, last line of Exercise 5: “Exercise 3” should read “Exercise 4”.

Page 60, last line, (4.20): Replace $[0, T]$ with $[0, T)$.

Page 61, in (4.21) and (4.22): here replace N with N^c and vice versa.

Page 70, line 5: Note that in this book, \log denotes the natural logarithm, i.e., \log_e , the inverse of the exponential function.

Page 87, Exercise 3. Hint: Differentiate C_0 with respect to σ . Expand the exponent of the second exponential term and simplify. You should obtain

$$\frac{\partial C_0}{\partial \sigma} = S_0 \sqrt{T} \rho \left(\frac{\log(S_0/K^*)}{\sigma \sqrt{T}} + \frac{1}{2} \sigma \sqrt{T} \right),$$

where ρ is the standard normal density function.