

Errata List for:

Mathematics of Interest Rates and Finance by Guthrie and Lemon

Page:	Correction:
17	#20 wording is vague – Consider the case where CCC was intending to pay the bill by the 10 th day, but doesn't and determine what rate of simple interest CCC paid for not paying the bill by the 10 th day.
30	2 nd to last sentence in US rule – Not true?? (payments not large enough are not credited)
31	+5000 instead of -5000
33	Line 11-12 “would have been paid”
51	3 rd on 7/1/05?
61	Simple Discount – increasing locally
78	Proof from 3 rd to 4 th equation
81	In example 3.3.2 change $1 + rt$ to $1 + it$
100	Reference to formula (3.11) should be (3.13)
109	% change – 3 rd term
138	3025 to 3250, $I = 4.31$ (confusing)
147	The last sentence in the 2 nd paragraph should read “A life annuity ...” (omit “insurance”)
155	#22 – all payments should be quarterly.
159	Ex 5.4.1 $p = 37$
161	#8, years seem wrong
164	In the middle of the change A_{∞} to $A_{\infty} =$
165	At 2 places change \$28,028.44 to \$23,028.44 and change \$278.999 to \$278,900
168	In the middle of the the required rate per period should read $j = j(p)/p$
169	The first sentence on the top of the should read “... 2% compounded once per quarter is equivalent to ...”
172	In Exercise 17 the sixth word from the end should be “deposits”
172	#17, 5% has no compounding period
172	#17 full monthly “deposits”
175	#10, \$900 payments
177	#5, 11/1/2042
181	The solution paragraph is missing a % symbol: will be $i = .\bar{6}\%$ times ...
181	$67,200 = Ra180 8/12\%$
220-21	#11 and #12 missing words
227	The “of” is misplaced in the first full sentence on this . “The discounted cash flow representation of any stock's value as an infinite stream of future dividends”
227	The reference just above equation (7.6) should be to (5.5) instead of (5.8)
252/338	Fix profitability index definition
256	Exercise 9 – The answer key uses 35% for the tax rate instead of 40%
256	#9 change to tax rate of 35% per answer key
262	8.15 and following i not j
265	#12 salvage value = \$51000
272	#5, #7, add 3.25%(1) and 12%(1)
273	#7 reword
276	PV formula $an_j = (1 - (1+i)^{-n})/i$ is incorrectly presented
277	Thm 9.2.4 ratio language is vague, $\lambda \neq r$
281	Remove last line
284	#8c, 3%(2)
350	Answers for #13 and #15 were based on 2 payments instead of three. Using the third payment at 12/1/05 gives the following answers: #13 \$188.52; #15 \$183.52
356	#11, should be 5104.1666666 with answer 1070.833333
358	Answer for #5 should say $D = I = S - P$
365	7b = 10.526%
368	#29 wrong problem is worked
372	#17 answer is 9.1%(2) by \$0.15

389	#5c 38 th partial
391	#29 n = 129
397	#7, n = 27 not 28
407	Dates should read: 10/1/05 – 8/1/03 = 2y + 2m = 26 months; Dollars should read: $5790.2787(1 + i)^{26} = \6448.465949 ; Next Date: 4/1/10 – 10/1/05 = 4y + 6m = 9h, by fpp n = 10 pmts; Annuity Dollars: $6448.465949 = R\ddot{a}_{10 i} \rightarrow R = \719.29 ; Perpetuity Dollars: $6448.465949 = R\ddot{a}_{2000 i} \quad R = \158.24
418	a. 12/1/04 – 12/1/01 = 3y = 6h (semiannually), $S_7 = \$3831.23$
418	#11, 12/1/04 to 6/1/01 = 3.5 yrs
418	#11
422	#1f partial of \$848.66
427	$V_{pur} = \$8952.46[1 + (.10125)(164/360)] = \9365.39
431	#3, i = 7.5%(4)
433	#9, not half year
435	The residual of \$1500 needs to be subtracted giving the Comp. Life = 6.87
436	#7, 8, 17q answers??
437	The NPV @ 10% = \$6941.97
438-39	# 9, the tax rate should be 40%, and the After Taxes/Cash Flow columns will need to be updated appropriately
440	Exercise 11 there is an extra zero, it should read 50,000.
444	Ex 9.1 solutions don't match problems