

Problem	1	2	3	4	5	6	Total
Possible	3	3	3	3	3	3	20
Points							

1. (3 points) Name the French mathematician who initiated the mathematical modeling of financial markets and speculation, and the approximate time that modeling was done.

2. (3 points) What was the most important development in mathematical finance in the last half of the 20th century in that it profoundly influenced actual financial practice, and single-handedly created an entire area of academic research?

3. (3 points) List three reasons that mathematical financial models were quickly adopted into financial practice starting in the 1970's and continuing to the present.

4. (3 points) What is a European put option?

5. (3 points) What is an American call option?

6. (5 points) You have purchased a September call option on Intel stock. The strike price is \$27.50. This option cost you \$0.45. The current value of Intel stock is \$26.36. What value must Intel stock have in order for you to see a profit on this option? Ignore for the purposes of this first quiz the time value of money. (This information was valid on August 20, 2003).