**Economics 322.**

**Exercise Sheet 7**

**Fall 2014**

**Robert J. McKeown**

**The reading for this week’s assignment is Elton and Gruber Ch. 23 and Chapter 23 Appendix A.**

1. **EG Ch. 23 question 1.**
2. **EG Ch. 23 question 2.**

 **3. EG Ch. 23 question 3.**

 **4. EG Ch. 23 question 4. Note: For the explicit formula for the**

 **Binomial model see Appendix A. We will work through the**

 **derivation of the model in the next two classes.**