BTDT Manual for exam FM, 2019 Edition
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Errata

Posted February 9, 2019
The first equation in the solution of Problem 10 in Practice Examination 9 should be

$$100\cdot\left(1+i\right)^{10}\cdot i=50\cdot\left(1+i\right)^{16}\cdot i,$$

instead of

$$100\cdot\left(1+i\right)^{10}\cdot i=100\cdot\left(1+i\right)^{16}\cdot i.$$

Posted January 26, 2019
Sinking funds are no longer covered on exam FM. Treat any sinking funds problems as interesting exercises.

Posted October 21, 2018
In the solution of Problem 8 in Practice Examination 10, in the second to last sentence of the solution the phrase (referring to 12.04% dollar-weighted rate of return)
Using the information about the time-weighted rate of return,
has a typo, it should say:
Using the information about the dollar-weighted rate of return,

Posted October 17, 2018
The first calculation of the limit of the Macaulay duration should be:

$$\lim_{n\to\infty}d\left(n\right)=\lim_{n\to\infty}\frac{50\cdot\frac{\ddot{a}_{\overline{n}|}-n\cdot1.04^{-n}}{0.04}+1000n\cdot1.04^{-n}}{50a_{\overline{n}|4\%}+1000\cdot1.04^{-n}}=\frac{50\cdot\frac{\frac{1.04}{0.04}-0}{0.04}}{50\cdot\frac{1}{0.04}+0}=\frac{\frac{1.04}{0.04}}{\frac{1}{0.04}}=\frac{1.04}{0.04}=26.$$

The solution currently given has a typo in the denominator $50a_{\overline{n}|4\%}+1000n\cdot1.04^{-n}$

instead of: $50a_{\overline{n}|4\%}+1000\cdot1.04^{-n}$. **The answer and the answer choice are unaffected.**

Posted October 17, 2018
The last part of the solution of Problem 13 in Practice Examination 20 should be
Note that in general, the difference between Macaulay duration a level annual perpetuity immediate and a level bi-annual perpetuity immediate is:

$$\frac{1}{1-v}-2\cdot\frac{1}{1-v^2}=\frac{1+v}{1-v^2}-\frac{2}{1-v^2}=\frac{1+v-2}{1-v^2}=\frac{v-1}{1-v^2}=-\frac{1}{1+v}.$$

instead of

Note that in general, the difference between Macaulay duration a level annual annuity immediate and a level bi-annual annuity immediate is:

$$\frac{1}{1-v}-2\cdot\frac{1}{1-v^2}=\frac{1+v}{1-v^2}-\frac{2}{1-v^2}=\frac{1+v-2}{1-v^2}=\frac{v-1}{1-v^2}=-\frac{1}{1+v}.$$

Posted October 6, 2018

Problem 4 in Practice Examination 10 should read as follows:

Your company owns an asset, which pays continuously at a rate of $10 - t$ thousand dollars, for $0 \le t \le 10$, where t is time, in years. The current market yield curve is flat with force of interest for all maturities equal to 5%. Find the Macaulay duration of this asset held by your company.

The solution is correct. Video solution can be viewed at:

http://smartURL.it/KO-FM-Exercise38