

Winter 2014 – Stats3520B Midterm Exam 2 – Rules & Coverage

YOU MUST ADHERE TO THE FOLLOWING RULES DURING THE EXAM:

1. Only non-programmable calculators that do not make any sounds are permitted in the exam. *You are NOT allowed to borrow calculators from your seatmates.* So, remember to bring your own. *The instructor and TAs do not provide calculators and they are unable to lend you a replacement if your calculator malfunctions.* No laptops are allowed whilst taking the exam.
2. In the interest of fairness, (i) please DO NOT open the questionnaire until you are told to do so by the invigilator; you may fill out the student's information section on the front cover of the questionnaire whilst waiting for the signal to begin and (ii) as soon as the invigilator announces "time is up and stop writing", you should drop your pen/pencil, must stop writing and remain in your seat until all the exam papers are collected. ***Ignoring these important instructions will have dire consequences (including the invalidation of your exam paper and a mark of zero in the midterm).***
3. As a courtesy to your classmates, PLEASE turn-off all mobile phones, Blackberries, pagers and other electronic communication devices during the entire exam period.
4. For the purpose of identification, be ready to show your UWO ID. Put it on top of your desk so that the invigilator will no longer trouble you whilst you are writing the exam. You must also sign the Attendance Sheet.
5. You will write directly on the questionnaire. The space provided is deemed sufficient for you to provide a well-justified solution including the necessary calculations. However, if you need more space, you can use the back pages of the questionnaire. You will also be given 2 blank sheets as scrap papers.

EXAM COVERAGE AND GUIDELINES:

6. The second midterm on Friday (21 March 2014, 19:00-21:00HRS) will be held in **NCB 117**. It will cover materials pertaining to binomial option pricing theory (no-arbitrage and risk-neutral valuation approaches), Value-at-Risk (VaR) and elements of stochastic processes. ***The format of the second midterm exam is the same as the first midterm.***
7. In order to cut down the time you need to study the materials specified in #6, it is recommended that you concentrate on the (i) lecture notes given in class, (ii) learning materials posted in the course website pertinent to the second midterm and (iii) ***solutions to questions in the second assignment***.
8. You may be asked about the definition of a term; unless specifically stated otherwise, don't waste your time giving an example or illustration as definitions are precise statements. You can expect that certain exam questions will require you to write a paragraph or two. Don't ramble. Organise your thoughts first and then write succinctly and legibly. The mark appropriated for each question is shown either before or after each question; so, use this as your guide in case you are wondering about the amount of explanation needed.
9. You will be asked to perform certain calculations in some of the exam problems. Just like in your assignment, your mark for this type of questions will depend on the logical presentation and clarity of your solution. DO NOT assume that markers can simply guess what you mean – write down all the necessary steps. No credit will be given for a final solution (even if it is correct) without a valid justification or explanation.

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