Exercises on Finance

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Exercise 1:

Compute the S- and the C-tree for

$$n = 3 \qquad K = 180 \qquad r = 0.01 \qquad r^+ = 0.1 \qquad r^- = -0.1 \qquad S_0 = 180$$

Exercise 2:

Compute the Black-Scholes prices $C_t(s)$ and $P_t(s)$ for

$$K = 100 \qquad s = 100 \qquad \sigma = 0.1 \qquad T - t = 3 \text{ months} \qquad r = 0.01$$

What are inner and time value?