Lecture 1:

Evaluation:

* 20% per assignment (3 assignments)
* Exam 40% score of 5 or higher

Asiignment guidelines:  
  
self contained, well structured report (5-10 pages)

Assignment 1:

* + Part 1: 20
  + Part 2: 50%
  + Part 3: 30%

**Possible exam questions**

* Exam question: why American and European option is same price, and why is it not good to excise American option early
* Exam question: put call parity (also good to test implementation) -> model need to produce put call parity.
* Exam question: How to set u and d in binomial tree
* Exam question: Derive ito’s lemma
* Exam question: always calculate premium and calculate delta
* Exam question: derive binomial into poisson distribution
* What is Dg in ito’s lemma? How is it distributed (lognormal)