

4.1.2.1

Olivier Turcotte

(a)

$$S_n \sim \text{BinNegComp}(r * n, q, F_B)$$

(b)

$$E[X] = \frac{r * (1 - q)}{q} * \frac{\alpha}{\beta}$$
$$E[S_n] = \frac{n * r * (1 - q)}{q} * \frac{\alpha}{\beta}$$

(c)

```
r <- 0.5 ; q <- 5/6
a <- 0.5 ; b <- 1/10000
k0 <- 1000

Fs <- function(x,n) dnbinom(0,n*r,q)+
  sum(sapply(seq_len(k0),function(i) dnbinom(i,n*r,q)*pgamma(x,a*i,b)))

Fx <- function(x) Fs(x,1)

Fx(10000)

## [1] 0.9836086
Fs(10000,200)

## [1] 0.0002766746
```

(d)

```
VaR_S <- function(k,n,interval) ifelse(dnbinom(0,n*r,q) >= k,0,uniroot(
  function(x) Fs(x,n)-k,interval)$root )

VaR_X <- function(k,interval) VaR_S(k,1,interval)

VaR_X(.5,c(0,10000))

## [1] 0
VaR_X(0.99,c(0,100000))

## [1] 14184.01
```

(e)

```
VaR_S(0.5,200,c(0,100000))
```

```
## [1] 95586.21
```

```
VaR_S(0.99,200,c(0,300000))
```

```
## [1] 211586.3
```

(f)

```
TVaR_S <- function(k,n,interval){  
  VaR <- VaR_S(k,n,interval)  
  if(VaR == 0) n*r*(1-q)/q*a/b  
  else{  
    sum(sapply(seq_len(k0),function(i) dnbinom(i,n*r,q)*a*i/b*(1-pgamma(VaR,a*i+1,b)))/(1-k)  
  )  
}
```

```
TVaR_X <- function(k,interval) TVaR_S(k,1,interval)  
TVaR_X(0.5,c(0,10000))
```

```
## [1] 500
```

```
TVaR_X(0.99,c(0,20000))
```

```
## [1] 23283.01
```

(g)

```
TVaR_S(0.5,200,c(0,10e6))
```

```
## [1] 131492
```

```
TVaR_S(0.99,200,c(0,10e6))
```

```
## [1] 233072
```

(h)

```
200*VaR_X(0.5,c(0,10000)) > VaR_S(0.5,200,c(0,10e4))
```

```
## [1] FALSE
```

(i)

```
200*VaR_X(0.99,c(0,20000)) > VaR_S(0.99,200,c(0,10e6))
```

```
## [1] TRUE
```

(j)

```
200*TVaR_X(0.5,c(0,10000)) > TVaR_S(0.5,200,c(0,10e6))
```

```
## [1] FALSE
```

(k)

```
200*TVaR_X(0.99,c(0,10e6)) > TVaR_S(0.99,200,c(0,10e6))
```

```
## [1] TRUE
```