Project 8

MGMTMFE 405

Runhong Huang

Question 1.

(a) 975.841

(b) 1109.29

(c) 11.3503

(d) 107.417

Question 2.

(a) 1.16137

(b) 1.138

Use the complicated explicit formula, the option price is calculated to be 1.138. The result is very similar to the result from the Monte Carlo simulation. Therefore, Monte Carlo simulation gives a very reliable estimation of the option price.

Question 3.

11.6515