

Bus Ad 239B–Spring 2003
Problem Set 11
Due Thursday April 17

1. Determine the martingale value process of the standard put option from the risk-adjusted probability measure, as was done for the standard call option in the Lecture Notes. Verify that put-call parity holds.
2. Determine the martingale value process of the standard call option from the state price process (rather than from the risk-adjusted probability measure, as was done in the Lecture Notes).