

REAL OPTIONS 2014

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THURS/FRIDAY
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ASSIGNMENT FOR FRIDAY 7 March

SESSION #2

1. Read REAL OPTION VALUE, CH 3 (pages 26-37) and CH 4 (pages 38-52). Do Problems 3.4, 3.5, 3.6 in Excel, Exercises 4.1, 4.2, 4.3 with a calculator, and Problems 4.4, 4.5, 4.6 in Excel.
2. A first natural extension is to apply these basic payoff diagrams and perpetual American models to what you imagine might be the real options in your project or case.
3. There will be a class exercise to be handed in, so please bring calculators to class.
4. By the end of today, you will have decided on a project to be discussed with me, or one of the four cases.