

Exam MFE/3F Review Questions Overview


Review Questions

We've written over **650 exam-style practice questions** in our Review Questions that cover Exam MFE/3F topics as efficiently as possible. We sometimes use the same basic numeric information for a set of related questions so that the more tedious calculations need only be done as few or as many times as it takes for the formulas to become familiar. For example, using the binomial model to build a stock price tree is time-consuming, but not particularly difficult. We may use the same stock price tree for several questions, allowing you to learn the differences between European calls and puts and American calls and puts without having to build a new tree for each question.

Intermediate calculations in our Review Questions are not rounded. As you work through the examples and questions, you will match the solutions if you keep the numbers stored in your calculator.

Full solutions to the exam-style practice questions can be downloaded from the **MFE Downloads** page of our web site, www.ActuarialBrew.com, or a professionally printed version can be purchased. Each solution has the following key to indicate the question's degree of difficulty. The more boxes that are filled in, the more difficult the question:

Easy: 

Very Difficult: 

SOA/CAS Exam Tables

The solutions to the Review Questions have been calculated using the online normal distribution calculator, based on 5 decimal places of accuracy for both inputs and outputs.

In the event that you don't have access to the normal distribution calculator, we provide the Normal Distribution Table at the end of these Questions for your convenience, but results based on the printed table may not exactly match the solutions to these Questions.

MFE/3F Review Notes

Available as a separate product, our Review Notes move you quickly through the assigned reading material, highlighting important concepts along the way. The sooner you understand the material, the sooner you can begin the important job of working exam-style practice questions. The key to passing actuarial exams is to work as many exam-style questions as possible. Our Review Notes can be purchased as an electronic file or as a professionally printed study manual.

Email Support

We provide email support to our customers. If you have trouble with a difficult concept or practice question, let us know. Also, please let us know about any errata you may find. Send any questions or comments to ExamMFESupport@ActuarialBrew.com. Our goal is to respond within one business day.

Email support is reserved for our customers, so we may need to ask for some verifying information the first time that you send us a question. Any student that has purchased our Review Notes is entitled to use our email support.

We reserve the right to limit the number of questions that we answer, but this is very seldom a problem. After trying to resolve an issue on your own, we're here to help you if you get stuck on a difficult concept.

Table of Contents

The Table of Contents for the Solutions to the MFE/3F Review Questions follows the same order as the MFE/3F Review Questions:

- Chapter 9 – Parity and Other Option Relationships
- Chapter 10 – Binomial Option Pricing: I
- Chapter 11 – Binomial Option Pricing: II
- Chapter 12 – The Black-Scholes Equation
- Chapter 13 – Market-Making and Delta-Hedging
- Chapter 14 – Exotic Options: I
- Chapter 18 – The Lognormal Distribution
- Chapter 19 – Monte Carlo Valuation
- Chapter 20 – Brownian Motion and Itô's Lemma
- Chapter 21 – The Black-Scholes Equation
- Chapter 22 – Exotic Options II
- Chapter 23 – Volatility
- Chapter 24 – Interest Rate Models
- Appendix B.1 & C

Errata

Errata for the ActuarialBrew.com products can be found at www.ActuarialBrew.com on the MFE Downloads page. The MFE Links page provides a link to the errata for the *Derivatives Markets* textbook.

Chapters 20 and 24

Although none of the Derivatives Markets chapters are easy, Chapters 20 and 24 are particularly difficult. We'd like you to be aware of this for two reasons:

1. Don't become complacent while studying the earlier chapters. If you budget your time per chapter based on your experience with the earlier chapters, there is a danger that you will not have enough time to understand Chapters 20 and 24 as the exam date approaches.
2. Don't panic when you get to Chapters 20 and 24. Yes, they are difficult, but they are difficult for everyone.

Good Luck!

To paraphrase Thomas Jefferson, "The harder you work, the more luck you have." So study hard, invest significant amounts of quality time, work all of the exam-style questions, and you should find yourself successful on exam day.