Subject CM2

Corrections to 2020 study material

This document contains details of any errors and ambiguities in the Subject CM2 study materials for the 2020 exams that have been brought to our attention. We will incorporate these changes in the study material each year. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any such comments on this course please email them to CM2@bpp.com.

This document was last updated on **25 Sep 2020**.

0 Paper A Course Notes

Chapter 2

Correction added on 15 Nov 2019

Page 31

The premium in the penultimate sentence should be £8,333.33, *ie*:

This individual would be willing to pay up to £8,333.33 for insurance that covers any loss.

Chapter 6

Correction added on 15 Nov 2019

Page 25

The wording 'ie closer to zero' should be removed and the paragraph should read:

'Recall also from Section 1.3 that, the lower the covariance between security returns, the lower the overall variance of the portfolio. This means that the variance of a portfolio can be reduced by investing in securities whose returns are negatively correlated.'

1 Revision Notes

Booklet 3

Correction added on 25 Sep 2020

Subject CT8, April 2018, Question 11, part (iv)

The decimal point in the answer is misplaced and so the solution here should read 1.3279%.

Subject CM2, September 2019, Question 7, part (ii)(b)

The calculations for β_4 should read:

$$\beta_4 = \frac{1-\left(\frac{2}{5}\times\frac{11}{8}+\frac{1}{5}\times\frac{7}{8}+\frac{1}{5}\times\frac{6}{8}\right)}{0.2}$$
$$= \frac{5}{8}$$

2 ASET (2019 papers)

Correction added on 25 Sep 2020

Subject CM2, September 2019, Question 7, part (ii)(b)

The calculations for β_4 should read:

$$\beta_4 = \frac{1-\left(\frac{2}{5}\times\frac{11}{8}+\frac{1}{5}\times\frac{7}{8}+\frac{1}{5}\times\frac{6}{8}\right)}{0.2}$$

$$= \frac{5}{8}$$