

Errata List:

(corrections as of Dec. 9, 2009)

Security Analysis and Investment Strategy (Blackwell Publishing, 2005)
by Geoffrey Poitras

Corrections given in bold where applicable

Notes for Instructors

p.xiv, in the box, the “*With student cases*” column needs to include a reference to the **on-line cases from the book website**.

Chapter 1

p.10, line 22, “ .. is provided in ...” (delete the second **in**)

Chapter 2

p.85, line above the first set of equations: “... with length **D and $x = 0$** .”

p.86, There is a minus sign missing from each of the left hand side expressions. The correct statement of the condition for Bernoulli’s problem is:

$$\begin{aligned} A_d - E[A_n] &= - \left\{ \frac{1}{r(1+r)^D} - \left[\frac{1+r}{n} \cdot \frac{1}{r} \right] \left\{ \frac{1}{r} - \frac{1}{r(1+r)^n} \right\} \right\} \\ &= - \left\{ \frac{1}{r^2} \left\{ \frac{r}{(1+r)^D} - \left[\frac{1+r}{n} \left\{ 1 - \frac{1}{(1+r)^n} \right\} \right] \right\} \right\} \\ &= - \left\{ \frac{1}{r^2} \left\{ \frac{nr (1+r)^{n-D} + (1+r) - (1+r)^{n+1}}{n(1+r)^n} \right\} \right\} > 0 \end{aligned}$$

It follows that for the greater than condition it is necessary that:

$$\begin{aligned} \left\{ \frac{nr (1+r)^{n-D} + (1+r) - (1+r)^{n+1}}{n(1+r)^n} \right\} &< 0 \\ \Rightarrow nr &< (1+r)^{D+1} \left[1 - \frac{1}{(1+r)^n} \right] \end{aligned}$$

For $n > 0$, this result can be verified by induction. Hence, the inequality condition given in the text

is correct (only minus signs are missing..

p.91, 4th line after quote "... high relative to **the** long term ..."

p.93, line 21, "In contrast to curb trading, ... " Delete the , after contrast.

p.104, line 22, "... with well-selected and ..." Delete the **a**

p.110, fourth line from bottom, "... more then **a** mechanical ..."

Chapter 3

p.149, 5th line from bottom, "... for portfolios of securities."

Chapter 4

p.210, line 23, "...objective is to arrive at a solution **to this** problem by hand:"

P.216, 8 lines up, "value of **assets** and liabilities"

Chapter 5

p.256, the title of Table 5.3: "... the domestic currency return for **ten year maturity** foreign ..."

p.263, equation for $var[X(t)]$, seven lines from bottom, delete the first $[$

p.275, second line after first equation, " $D_A = DUR_A = D_B = DUR_B$ "

p.276, Figure 5.4: on the $P[y]$ axis the bottom $P_2[y_L]$ needs to be $P_2[y_u]$.

p.278, There are typos in the examples. When the interest rate falls to 4%, the value of the liability short sale is \$158,100 and the Net worth is 5,770. The totals for the values of both the assets and liabilities for the change in value if interest rates remain unchanged is \$1,523,214. (Thanks Jed.)

Chapter 6

p.316, Delete Note "a" to Table 6.1, i.e., delete "As of September 30, 2002".

p.325, second equation Δ_B needs to be D_B

p.326, the title of Figure 6.1: "... where $\sigma_1 > \sigma_2$ "

Chapter 7

p.389, line 12, "... when this estimated intrinsic value is **above** the market price ..." (Thanks Lisa)

p.389, line 15, "... when market prices are at or **below** intrinsic value."

p.405, line 3-4, "... stocks that have the estimated intrinsic value **more** than the price ..." (Thx Santi)

p.406, line 17, "... companies will often have a real need **for** funds to ..."

Chapter 8

p.449, the discussion in the first eleven lines refers to Tables for 2000 and 2001 financial statements while the Tables in the text are for 2002 and 2003. The discussion is correct and the 2000 and 2001 tables are available for download on the book website. As an exercise, update the discussion to incorporate the 2002 and 2003 information.

p.456, six lines from bottom, “This number can be determined from either side ...”, delete “**the**”.

p.464, last line “Yet another type ...” Delete the ,

Chapter 10

p.563, nine lines from bottom, “Benjamin Graham ... reported”, delete “[see **Rea 1977**]”

p.591, line 23-4, “**There** are good reasons ...”, delete “**As discussed in chapter 10**”

p.592, end of line 4, delete “(**see chapter 10**)”

p.592, line 11, “**It** is not necessary ..”, delete “**As discussed in chapter 9**”