## Chapter Thirteen. Solving a nonlinear equation

Outline Solutions to odd-numbered exercises from the book: An Introduction to Financial Option Valuation: Mathematics, Stochastics and Computation, by Desmond J. Higham, Cambridge University Press, 2004 ISBN 0521 83884 3 (hardback) ISBN 0521 54757 1 (paperback)

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**13.1** The length of the interval decreases by a factor  $\frac{1}{2}$  on each interval. So the number of iterations, n, is the smallest integer n such that

$$\frac{L}{2^n} < \epsilon$$
, i.e.  $n > \frac{\log(L/\epsilon)}{\log(2)}$ 

In Figure 13.2, 
$$\frac{\log(L/\epsilon)}{\log(2)} = \frac{\log(10^6)}{\log(2)} = 19.9$$
, giving  $n = 20$ 

**13.3** We know that  $N(x^*) = 2/3$ , so, from Exercise 4.1, we have

$$\frac{1 + \operatorname{erf}(x^*/\sqrt{2})}{2} = \frac{2}{3}.$$

Hence,  $\operatorname{erf}(x^*/\sqrt{2}) = 1/3$ , giving  $x^* = \sqrt{2} \operatorname{erfinv}(1/3)$ .