Problem Set 2.

I. *The Limit-order Book of the NYSE Specialist:* BKM, Chapter 3, Question 9, parts a. and b.

II. *Buying Stock on Margin:* BKM, Chapter 3, Question 17 (for part b. assume that interest on the broker’s loan does not accrue until the end of the year).

III. *Short-selling when the Stock Pays a Dividend:* BKM, Chapter 3, Question 20 (assume the interest rate on any required margin for the short position is zero).