IMM - DTU

Solution for exercise 1.2.4 in Pitman

It may be useful to read the definition of Odds and *payoff odds* in Pitman pp. 6 in order to solve this exercise

Question a) We define the profit pr

$$pr = 10(8+1) - 100 \cdot 1 = -10$$

Question b) The average gain pr. game is defined as the profit divided by the number of games

$$\frac{pr}{n} = \frac{-10}{100} = -0.1$$