



INDIAN INSTITUTE OF SCIENCE
BANGALORE

INSTITUTE COLLOQUIUM

(Divn. of Physical & Mathematical Sciences)

by

Professor Mrinal K. Ghosh
Department of Mathematics

The pricing of corporate liabilities via options



Abstract:

We begin with a brief introduction to Black-Scholes theory of option pricing. We then describe the structural approach to credit risk. We identify the equity and the debt of a firm as appropriate options on the asset of the firm. Using this we derive the price of the debt and the default probability. Finally we develop an EM algorithm to estimate the relevant parameters associated with the asset of the firm.

Date : Wednesday, 22nd February 2017

Venue : Faculty Hall, Main Building

Time : 4-00 p.m.

Professor Anurag Kumar, Director
will preside