

**Cox, John C.; Ross, Stephen A.; Rubinstein, Mark**

**Option pricing: a simplified approach.** (English) Zbl 1131.91333  
J. Financ. Econ. 7, No. 3, 229-263 (1979).

Summary: This paper presents a simple discrete-time model for valuing options. The fundamental economic principles of option pricing by arbitrage methods are particularly clear in this setting. Its development requires only elementary mathematics, yet it contains as a special limiting case the celebrated Black-Scholes model [*F. Black* and *M. Scholes*, J. Polit. Econ. 81, 637–654 (1973; [Zbl 1092.91524](#))], which has previously been derived only by much more difficult methods. The basic model readily lends itself to generalization in many ways. Moreover, by its very construction, it gives rise to a simple and efficient numerical procedure for valuing options for which premature exercise may be optimal.

**MSC:**

**91G20** Derivative securities (option pricing, hedging, etc.)  
**91G60** Numerical methods (including Monte Carlo methods)

Cited in **23** Reviews  
Cited in **574** Documents

**Keywords:**

binomial options pricing model; numerical method; valuation of options; Cox-Ross-Rubinstein model; CRR

**Full Text:** [DOI](#)