



## Sample Solution

<b>Initialisation</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	$\infty$	$\infty$	$\infty$	$\infty$	$\infty$	$\infty$	$\infty$
<b>1. Step (<math>u = s</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	4	$\infty$	8	$\infty$	$\infty$	$\infty$
<b>2. Step (<math>u = a</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	$\infty$	8	$\infty$	$\infty$	$\infty$
<b>3. Step (<math>u = b</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	$\infty$	$\infty$	$\infty$
<b>4. Step (<math>u = d</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	$\infty$	$\infty$	$\infty$
<b>5. Step (<math>u = c</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	12	$\infty$
<b>6. Step (<math>u = e</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	11	15
<b>7. Step (<math>u = f</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	11	12
<b>8. Step (<math>u = g</math>)</b>	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	11	12

## Exercise 2: Currency Exchange

Consider  $n$  currencies  $w_1, \dots, w_n$ . The exchange rates are given in an  $n \times n$ -matrix  $A$  with entries  $a_{ij}$  ( $i, j \in \{1, \dots, n\}$ ). Entry  $a_{ij}$  is the exchange rate from  $w_i$  to  $w_j$ , i.e., for one unit of  $w_i$  one gets  $a_{ij}$  units of  $w_j$ .

Given a currency  $w_{i_0}$ , we want to find out whether there is a sequence  $i_0, i_1, \dots, i_k$  such that we make profit if we exchange one unit of  $w_{i_0}$  to  $w_{i_1}$ , then to  $w_{i_2}$  etc. until  $w_{i_k}$  and then back to  $w_{i_0}$ .

- Translate this problem to a graph problem. That is, define a graph and a property which the graph fulfills if and only if there is a sequence of currencies as described above.
- Give an algorithm that decides in  $\mathcal{O}(n^3)$  time steps whether there is a sequence of currencies as described above. Explain the correctness and runtime.

*Hint:*  $\log(a \cdot b) = \log a + \log b$ .

## Sample Solution

- We define a weighted graph  $G = (V, E, w)$  with  $V = \{1, \dots, n\}$ ,  $E = V^2$  (i.e., the graph is directed and complete) and  $w(i, j) = a_{ij}$  (i.e.,  $A$  is the adjacency matrix). A sequence of currencies as described exists if and only if there is a cycle  $(i_0, i_1, \dots, i_k, i_0)$  such that

$$\prod_{j=0}^{k-1} w(i_j, i_{j+1}) \cdot w(i_k, i_0) > 1. \quad (1)$$

- In the adjacency matrix, we replace  $a_{ij}$  by  $-\log a_{ij}$ . That is, we define a graph  $G = (V, E, w')$  with  $V$  and  $E$  as before and  $w'(i, j) = -\log w(i, j)$ . We run Bellman-Ford on  $G'$  with source  $i_0$ .

This algorithm checks if  $G'$  contains a negative cycle, i.e., nodes  $i_0, \dots, i_k$  with

$$\begin{aligned}
 & \sum_{j=0}^{k-1} w'(i_j, i_{j+1}) + w'(i_k, i_0) < 0 \\
 \iff & \sum_{j=0}^{k-1} -\log w(i_j, i_{j+1}) - \log w(i_k, i_0) < 0 \\
 \iff & \sum_{j=0}^{k-1} \log w(i_j, i_{j+1}) + \log w(i_k, i_0) > 0 \\
 \iff & \log \left( \prod_{j=0}^{k-1} w(i_j, i_{j+1}) \cdot w(i_k, i_0) \right) > 0 \\
 \iff & \prod_{j=0}^{k-1} w(i_j, i_{j+1}) \cdot w(i_k, i_0) > 1 .
 \end{aligned}$$

So the algorithm checks property (1) from part (a). The runtime of Bellman-Ford is  $\mathcal{O}(|V| \cdot |E|)$ . With  $|V| = n$  and  $|E| = n^2$  we obtain a runtime of  $\mathcal{O}(n^3)$ .