

Sample Solution

Initialisation	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	∞	∞	∞	∞	∞	∞	∞
1. Step ($u = s$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	4	∞	8	∞	∞	∞
2. Step ($u = a$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	∞	8	∞	∞	∞
3. Step ($u = b$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	∞	∞	∞
4. Step ($u = d$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	∞	∞	∞
5. Step ($u = c$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	12	∞
6. Step ($u = e$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	11	15
7. Step ($u = f$)	s	a	b	c	d	e	f	g
$\delta(s, \cdot) =$	0	2	3	7	6	9	11	12
8. Step ($u = g$)	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 $\mathcal{O}(n^3)$.