Quiz A for 2:30 Class: 10/22/12

For each of the following, calculate your overall profit or loss from buying or selling option contracts on Abbott Laboratories with a strike price of $65 which expire on Friday, November 16, 2012. Assume all trades are market orders. For each number, use a “+” for inflows or profits and a “-” for outflows or losses. If there is no sign, I will assume your number is a “+”.

Note: Show your work for partial credit.

a. Assume you buy five calls and Abbott’s stock price ends up at $55 on 11/16.
b. Assume you buy five calls and Abbott’s stock price ends up at $75 on 11/16.
c. Assume you sell five puts and Abbott’s stock price ends up at $55 on 11/16.
d. Assume you sell five puts and Abbott’s stock price ends up at $75 on 11/16.

Wall Street Journal Questions are on the back of this page.

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\begin{align*}
& 500 \times (-2.41) = -1205 \\
& 500 \times (-2.41 - 65 + 75) = +3795 \\
& 500 \times (+0.82 - 65 + 55) = -4590 \\
& 500 \times (+0.82) = +410 
\end{align*}
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