Quiz B 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 Eli Lilly with a strike price of $50 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 three calls and Eli Lilly’s stock price ends up at $40 on 11/16.
b. Assume you buy three calls and Eli Lilly’s stock price ends up at $60 on 11/16.
c. Assume you sell three puts and Eli Lilly’s stock price ends up at $40 on 11/16.
d. Assume you sell three puts and Eli Lilly’s stock price ends up at $60 on 11/16.

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

a. $300 \times (-3.15) = -945$

b. $300 \times (-3.15 - 50 + 60) = 2055$

c. $300 \times (+0.41 - 50 + 40) = -2877$

d. $300 \times (+0.41) = +123$