Quiz A for 1:00 Class: 03/20/13

Using the attached information, calculate your overall profit or loss from submitting the following market orders to buy or sell option contracts on Timken (TKR) with a $55 strike price that expire on April 19, 2013. Assume that all market orders were submitted at 2:59 Eastern Time. For each number use a “+” for an inflow and a “-” for an outflow. If you do not specify a sign, I will assume a “+”.

a. Assume you bought three put contracts and that Timken’s stock price rises by $3 per share from its price when you bought the puts.

b. Assume you bought three put contracts and that Timken’s stock price falls by $3 per share from its price when you bought the puts.

c. Assume you sold three call contracts and that Timken’s stock price rises by $3 per share from its price when you sold the calls.

d. Assume you sold three call contracts and that Timken’s stock price falls by $3 per share from its price when you sold the calls.

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

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\begin{align*}
\text{a. } & 300 (-0.90) = -270 \\
\text{b. } & 300 (-0.90 -53.93 +55) = 851 \\
\text{c. } & 300 (+2.75 -59.93 +55) = -654 \\
\text{d. } & 300 (+2.75) = +825 \\
\end{align*}
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