## **CHAPTER 17**

**Valuing Options**

## **Quiz Questions**

6. Use the Black-Scholes formula and Appendix A: Present Value Table 6 (page A-5) to value the following options:

a. A call option written on a stock selling for $60 per share with a $60 exercise price. The stock’s standard deviation is 6% per month. The option matures in three months. The risk-free interest rate is 1% per month.

b. A put option written on the same stock at the same time, with the same exercise price and expiration date.

Now for each of these options find the combination of stock and risk-free asset that would replicate the option.

7. “An option is always riskier than the stock it is written on.” True or false? How does the risk of an option change when the stock price changes?