+4:00

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

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

+3 +9

a. 500 x (-2.41) = -1205 10

+9 +9 +9

b. 500 x (-2.41 - 65 + 75) = +3795 28

+9 +9 +9

c. 500 x (+0.82 - 65 + 55) = -4590 28

+9

d. 500 x (+0.82) = +410 9