

Quiz B 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 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.  $300 \times (-3.15)^{+9} = -945$  (10)

b.  $300 \times (-3.15 - 50 + 60)^{+9} = +2055$  (28)

c.  $300 \times (+0.41 - 50 + 40)^{+9} = -2877$  (28)

d.  $300 \times (+0.41)^{+9} = +123$  (9)

+3