

Quiz B: 10/22/12

Name _____

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.