

Key to 1:25 Quiz A: 3/26/12

Quiz: Set up the equations to calculate the overall profit or loss for each of the following option transactions if the strike price of all options equals \$35 and Microsoft's stock price ends up at \$40 when the options expire on January 18, 2013. Note: if you do not show a sign, I will assume your number is positive.

a. Submit a market order to buy one call contract.

$$100*(-1.21 - 35 + 40)$$

b. Submit a market order to sell one call contract.

$$100*(1.18 - 40 + 35)$$

c. Submit a market order to buy one put contract.

$$-100*4.75$$

d. Submit a market order to sell one put contract.

$$+100*4.65$$