

Key to 2:30 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 \$31 and AT&T's stock price ends up at \$27 when the options expire on June 15, 2012. 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.

$$- 100 * 0.92$$

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

$$100 * 0.90$$

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

$$100 * (-0.78 - 27 + 31)$$

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

$$100 * (0.76 - 31 + 27)$$