

Key to 4:00 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 \$18 and Dell's stock price ends up at \$14 when the options expire on August 17, 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.

$$-100 * 0.51$$

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

$$+100 * 0.50$$

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

$$100 * (-2.04 - 14 + 18)$$

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

$$100 * (2 - 18 + 14)$$