

Quiz A for 1:00 Class: 03/20/13

Name Key

Using the attached information, calculate your overall profit or loss from submitting the following market orders to buy or sell option contracts on Timken (TKR) with a \$55 strike price that expire on April 19, 2013. Assume that all market orders were submitted at 2:59 Eastern Time. For each number use a "+" for an inflow a "-" for an outflow. If you do not specify a sign, I will assume a "+".

- a. Assume you bought three put contracts and that Timken's stock price rises by \$3 per share from its price when you bought the puts.
- b. Assume you bought three put contracts and that Timken's stock price falls by \$3 per share from its price when you bought the puts.
- c. Assume you sold three call contracts and that Timken's stock price rises by \$3 per share from its price when you sold the calls.
- d. Assume you sold three call contracts and that Timken's stock price falls by \$3 per share from its price when you sold the calls.

Wall Street Journal Questions are on the back of this page.

a. $300 \overset{+6}{(-0.90)} = -270 \text{ (7)}$

b. $300 \overset{+6}{(-0.90)} \overset{+6}{-53.93} \overset{+6}{+55} = +51 \text{ (19)}$

c. $300 \overset{+6}{(+2.75)} \overset{+6}{-59.93} \overset{+6}{+55} = -654 \text{ (18)}$

d. $300 \overset{+6}{(+2.75)} = +825 \text{ (6)}$

+2