

Quiz B 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 News Corp (NWS) with a \$29 strike price that expire on April 19, 2013. Assume that all market orders were submitted at 3:05 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 four call contracts and that News Corp's stock price rises by \$2 per share from its price when you bought the calls.
- b. Assume you bought four call contracts and that News Corp's stock price falls by \$2 per share from its price when you bought the calls.
- c. Assume you sold four put contracts and that News Corp's stock price rises by \$2 per share from its price when you sold the puts.
- d. Assume you sold four put contracts and that News Corp's stock price falls by \$2 per share from its price when you sold the puts.

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

a. $400(-1.50 - 29 + 31.83) = +532$ (19)

b. $400(-1.50) = -600$ (7)

c. $400(+.55) = +220$ (6)

d. $400(+.55 - 29 + 27.83) = -248$ (18)

+2