Lesson #13 Quiz
Graded Quiz • 30 min
Due Dec 7, 4:59 PM +09
Congratulations! You passed!
TO PASS 80% or higher

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GRADE

83.33%

Lesson #13 Quiz

LATEST SUBMISSION GRADE

83.33%

1.
Question 1
What are the two types of options?

0 / 1 point

A “call” option is the right to buy and a “put” option is the right to sell.

A “put” option is the right to buy and a “call” option is the right to sell.

A “get” option is the right to buy and a “push” option is the right to sell.

A “push” option is the right to buy and a “get” option is the right to sell.

Incorrect

2.

Question 2

Why do some stock options have an exercise price which is more than the cost of the stock?

1 / 1 point

For “call” options, this provides the option to buy at this price if the stock goes up before the exercise date.

New investors often mistake “put” and “call” options, leading to an easy profit for the dealer.

These options are “put” options, giving you the option to sell at a higher price.

The stock options sell for negative prices, because the investor will lose money if the stock price does not fluctuate.

Correct

3.

Question 3

Which of the following is NOT a behavioral reason why people buy options?

1 / 1 point

They are fooled by salespeople.

People will feel better about themselves if their stocks go down if they have purchased a put option on them, regardless of whether or not they gained or lost overall.

People will pay attention to specific aspects of their portfolio more so than others, so they will buy options when they hear about volatility in the market to protect certain components of their portfolio.

Portfolio managers will usually buy options for clients without them knowing so that if the stock price goes down, the manager will come across as thinking ahead and watching out for their clients.

Correct

Most portfolio managers would not buy options with this motivation.

4.

Question 4

Are mortgages in the US similar to options from the perspective of the homeowner?

1 / 1 point

Yes, because they can be sold by banks to Fannie Mae and Freddie Mac.

Yes, because people always have the option to default.

No, because defaulting does not eliminate liability.

No in recourse states, yes in non-recourse states.

Correct

In recourse states, banks can take additional measures to force someone who has defaulted on their mortgage to pay it back, but in non-recourse states, “jingle mail” is legal and someone who has defaulted on their mortgage can at most lose their house. In this case, defaulting becomes an option.

5.

Question 5

What is the put-call parity relationship?

1 / 1 point

Another name for the Black-Scholes model.

A method of arbitrage for options exchanges.

A relationship between the put price, the call price, and the stock price for European-style stock options.

A mathematical formula specifying that the put price of an option minus the call price of an option equals the price of the stock

Correct

If the put-call parity relationship does not hold, it leaves an opportunity for arbitrage.

6.

Question 6

What is a stop-loss order?

1 / 1 point

A type of stock that will protect you against losses.

An instruction to your broker indicating that they should sell your shares once they get above a certain price.

The same thing as a put option, except you do not have to pay for it.

An instruction to your broker indicating that they should sell your shares once it drops below some price.

Correct