Question #1 of 19

Question ID: 1463649

Which of the following statements about moneyness is *most* accurate? When the stock price is:

A) below the strike price, a call option is in-the-money.

B) above the strike price, a put option is in-the-money.

C) above the strike price, a put option is out-of-the-money.

Question #2 of 19

Question ID: 1463647

An investor will exercise a European put option on a stock at its expiration date if the stock price is:

A) greater than the exercise price.

B) equal to the exercise price.

C) less than the exercise price.

Question #3 of 19

Question ID: 1463653

For a European style put option:

A) time value is equal to its market price minus its exercise value.

B) intrinsic value is equal to its market price plus its exercise value.

C) exercise value is equal to the underlying stock price minus its exercise price.

Question #4 of 19

Question ID: 1463660

A decrease in the riskless rate of interest, other things equal, will:

A) decrease call option values and decrease put option values.

B) increase call option values and decrease put option values.

C) decrease call option values and increase put option values.

Question #5 of 19

Question ID: 1463648

An investor holds two options on the same underlying stock, a call option with an exercise price of 25 and a put option with an exercise price of 30. If the market price of the stock is 27:

A) only one of the options is in the money.

B) neither option is in the money.

C) both options are in the money.

Question #6 of 19

Question ID: 1463664

Other things equal, a short put position would become more valuable as a result of an increase in:

A) the time to expiration.

B) the price of the underlying asset.

C) the volatility of the price of the underlying asset.

Question #7 of 19

Question ID: 1463665

An investor has bought a European put option and written a European call option. Other things equal, a decrease in the risk-free rate will increase the value of:

A) both of these option positions.

B) only one of these option positions.

C) neither of these option positions.

Question #8 of 19

Question ID: 1463654

The time value of a European call option with 30 days to expiration will *most likely* be:

A) less than the current option premium if the option is currently in-the-money.

B) greater than the current option premium if the option is currently out-of-the-money.

C) equal to the intrinsic value if the exercise price is greater than the current spot price.

Question #9 of 19

Question ID: 1463659

An increase in the riskless rate of interest, other things equal, will:

A) increase call option values and decrease put option values.

B) decrease call option values and increase put option values.

C) decrease call option values and decrease put option values.

Question #10 of 19

Question ID: 1463656

The value of a put option at expiration is *most likely* to be increased by:

A) a higher exercise price.

B) a lower risk-free interest rate.

C) higher volatility of the underlying asset price.

Question #11 of 19

Question ID: 1463655

The time value of an option is *most accurately* described as:

A) increasing as the option approaches its expiration date.

B) the amount by which the intrinsic value exceeds the option premium.

C) equal to the entire premium for an out-of-the-money option.

Question #12 of 19

Question ID: 1463650

A call option that is in the money:

A) has an exercise price less than the market price of the asset.

B) has an exercise price greater than the market price of the asset.

C) has a value greater than its purchase price.

Question #13 of 19

Question ID: 1463651

An option's intrinsic value is equal to the amount the option is:

A) in the money, and the time value is the market value minus the intrinsic value.

B) in the money, and the time value is the intrinsic value minus the market value.

C) out of the money, and the time value is the market value minus the intrinsic value.

Question #14 of 19

Question ID: 1463652

At expiration, exercise value is equal to time value for:

A) an in-the-money call or an out-of-the-money put.

B) an out-of-the-money call or an in-the-money put.

C) an out-of-the-money call or an out-of-the-money put.

Question #15 of 19

Question ID: 1463661

Which of the following will increase the value of a call option?

A) An increase in the exercise price.

B) A dividend on the underlying asset.

C) An increase in volatility.

Question #16 of 19

Question ID: 1463663

Compared to an otherwise identical European put option, one that has a longer time to expiration:

A) must be worth at least as much as the put that is nearer to expiration.

B) must be worth more than the put that is nearer to expiration.

C) may be worth less than the put that is nearer to expiration.

Question #17 of 19

Question ID: 1463657

A call option's intrinsic value:

A) decreases as the stock price increases above the strike price, while a put option's intrinsic value increases as the stock price decreases below the strike price.

B) increases as the stock price increases above the strike price, while a put option's intrinsic value decreases as the stock price decreases below the strike price.

C) increases as the stock price increases above the strike price, while a put option's intrinsic value increases as the stock price decreases below the strike price.

Question #18 of 19

Question ID: 1463662

Dividends or interest paid by the asset underlying a call option:

A) decrease the value of the option.

B) increase the value of the option.

C) have no effect on the value of the option.

Question #19 of 19

Question ID: 1463658

Which of the following statements about long positions in put and call options is *most accurate*? Profits from a long call:

A) and a long put are positively correlated with the stock price.

B) are negatively correlated with the stock price and the profits from a long put are positively correlated with the stock price.

C) are positively correlated with the stock price and the profits from a long put are negatively correlated with the stock price.