1. **Correct answer: C.**

Risk-seeking investors give away a risk premium because they enjoy taking risk. Risk-averse investors expect a risk premium to compensate for the risk. Risk-neutral investors neither give nor receive a risk premium because they have no feelings about risk.

2. **Correct answer: A.**

Robert's exposure to the risk of the stock of the Michelin Group is long. The exposure as a result of the long call position is long. The exposure as a result of the short put position is also long. Therefore, the combined exposure is long.

3. **Correct answer: A.**

Option prices are more volatile than the price of the underlying stock. The other statements are true. Options have time value, which means prices are higher the longer the time until the option expires, and a higher strike price increase the value of a put option.

4. **Correct answer: A.**

Risk-neutral probabilities are used, and discounting is at the risk-free rate. There is no risk premium incorporated into option pricing because of the use of arbitrage.

5. **Correct answer: A.**

If futures prices and interest rates are negatively correlated, forwards are more desirable to holders of long positions than are futures. This is because rising prices lead to futures profits that are reinvested in periods of falling interest rates. It is better to receive all of the cash at expiration under such conditions. If futures prices and interest rates are uncorrelated, forward and futures prices will be the same. If futures prices are positively correlated with interest rates, futures contracts are more desirable to holders of long positions than are forwards.