

Tutorial #:	1	Student Name:	James La Fontaine	Student ID:	1079860
-------------	---	---------------	-------------------	-------------	---------

Only answers to **Part B questions** are to be submitted by 10:00 am on Monday of the tutorial week. Please note the following:

1. Only **handwritten** work on this hand-in sheet will be marked for reasonable effort. You can either write your answers on this hand-in sheet or write your answers on a piece of paper with your name and student ID written on the top of the page.
2. Only **one** submission per student will be marked. Please make sure that you upload only one file either as a scanned **PDF file** or as a **JPG/PNG picture file**. Other formats will not be accepted by the system.
3. Please fill out all the information before submission.

- a) Mr Hannes likely employed options instead of shares because it allowed him to control a larger number of shares than if he had purchased \$90,000 worth of shares. This is due to the fact that short-dated out-of-the-money ~~and~~ options are extremely cheap as their intrinsic value is \$0. ~~and~~ ^{Furthermore,} their time value is negligible as there isn't a large timeframe left for the share price to fluctuate and move the option in-the-money. The option buyer is expected to lose money and so the options are nearly worthless/ have a low value on the market.
- b) Mr Hannes could also have sold ITM put options with an exercise price of \$2 and pocketed the premiums paid to him as the options would not be exercised by the buyer after moving deep OTM.