

Quiz 2

- Due Jan 24 at 11:59pm
- Points 30
- Questions 6
- Available Jan 22 at 3:30pm - Jan 24 at 11:59pm
- Time Limit 30 Minutes

Instructions

This quiz is based on option spreads. Review computations of basic payoffs and profit and loss for various option combinations.

This quiz is no longer available as the course has been concluded.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	19 minutes	25 out of 30

Score for this quiz: 25 out of 30

Submitted Jan 24 at 12:38am

This attempt took 19 minutes.

Correct answer



Question 1

5 / 5 pts

A call option with a strike price of \$50 costs \$2. A put option with a strike price of \$45 costs \$3. Suppose you buy both of them. What is your profit or loss at expiration if the stock is at \$51?

- ☐ loss of \$5
- ☐ profit of \$1
- ☒ loss of \$4
- ☐ profit of \$4

Correct answer



Question 2

5 / 5 pts

Suppose that put options on a stock with strike prices \$30 and \$35 cost \$4 and \$7, respectively. You want to create a bull spread using these options. How do you do it?

- ☐ buy strike \$35 put and sell strike \$30 put
- ☐ Buy both
- ☐ Sell both
- ☒ sell strike \$35 put and buy strike \$30 put

Correct answer



Question 3

5 / 5 pts

A call with a strike price of \$60 costs \$6. A put with the same strike price and expiration date costs \$4. You create a straddle using these.

What is your profit or loss if at expiration the stock is at \$65?

- ☐ profit \$5
- ☒ loss \$5
- ☐ loss \$10
- ☐ profit \$10

Correct answer



Question 4

5 / 5 pts

What trading position is created from a long strangle and a short straddle when both have the same time to maturity? Assume that the strike price in the straddle is halfway between the two strike prices of the strangle.

- ☐ bull spread
- ☒ butterfly
- ☐ bear spread
- ☐ straddle

Correct answer



Question 5

5 / 5 pts

You buy 70 calls with strike \$100, 20 calls with strike \$120 and sell 10 calls with strike \$150.

What will be the payoff (not p&l) if the stock is at \$160 at expiration?

- ☐ 240
- ☐ 5630
- ☒ 4900
- ☐ 3700

Wrong answer



Question 6

0 / 5 pts

You have bought a put option and sold a call option with the same strike and maturity on a stock. What position have you created?

- ☐ short stock and lent cash
- ☐ long stock and lent cash
- ☐ long stock and borrowed cash
- ☒ short stock and borrowed cash

Quiz Score: 25 out of 30