

HOMWORK #2

PLEASE WRITE YOUR FULL NAME AND THEN SUBMIT YOUR HOMEWORK

Name: ANSWERS

Use the table below to complete the spreadsheets below

AB Inc.	CALL			PUT		
Exercise Price	March	April	May	March	April	May
(X)						
150	20.00	21.50	23.00	3.00	3.50	4.45
155	15.50	16.25	17.75	4.10	4.90	5.90
160	12.50	12.85	13.50	5.30	6.00	6.80
165	8.10	9.00	10.65	7.00	8.00	9.20
170	5.20	6.30	8.50	9.40	10.75	12.45
175	3.25	4.25	5.75	13.00	14.30	14.20
180	2.50	3.40	4.45	15.00	16.10	17.75

Current Stock Price
\$ 165.00

Question 1

You bought 100 shares of AB Inc. at the current price and enter a Protective Put contract at 165 until May.

Question 1a

Calculate the profit/loss and HPR% of your Protective Put if you sold the stock at 20% higher from where you bought it. Show your work in the gray area below

	Entry				Exit		Profit	HPR%
	Shares	X	Price/Prem	Total	Price	Total		
Stock	100		\$ 165.00	(16,500)	\$ 198.00	19,800	3,300	
Put Opt	100	\$ 165.00	\$ 9.20	(920)	\$ 198.00	\$ -	(920)	
				<u>(17,420)</u>			<u>2,380</u>	13.66%

Profit = \$ 2,380
 HPR % 13.66%

Question 1b

Calculate the profit/loss and HPR% of your Protective Put if you sold the stock at 30% below from where you bought it. Show your work in the gray area below

	Entry				Exit		Profit	HPR%
	Shares	X	Price/Prem	Total	Price	Total		
Stock	100		\$ 165.00	(16,500)	\$ 115.50	11,550	(4,950)	
Put Opt	100	\$ 165.00	\$ 9.20	(920)	\$ 115.50	\$ 4,950	4,030	
				<u>(17,420)</u>			<u>(920)</u>	-5.28%

Profit = \$ (920.00)
HPR % -5.28%

Question 2

You bought 100 shares of AB Inc. at the current price and enter a Covered Call contract at 180 until May.

Question2a

Calculate the profit/loss and HPR% of your Covered Call if you sold the stock at \$200. Show your work in the gray area below

	Entry				Exit		Profit	HPR%
	Shares	X	Price/Prem	Total	Price	Total		
Stock	100		\$ 165.00	(16,500)	\$ 200.00	20,000	3,500	
Call Opt	100	\$ 180.00	\$ 4.45	445	\$ 200.00	\$ (2,000)	(1,555)	
				<u>(16,055)</u>			<u>1,945</u>	12.11%

Profit = \$ 1,945.00
HPR % 12.11%

Question 2b

Calculate the profit/loss and HPR% of your Covered Call if you sold the stock at \$180. Show your work in the gray area below

	Entry				Exit		Profit	HPR%
	Shares	X	Price/Prem	Total	Price	Total		
Stock	100		\$ 165.00	(16,500)	\$ 180.00	18,000	1,500	
Call Opt	100	\$ 180.00	\$ 4.45	445	\$ 180.00	\$ -	445	
				<u>(16,055)</u>			<u>1,945</u>	12.11%

Profit = **\$ 1,945.00**
HPR % **12.11%**