

Question #1 of 41

Question ID: 416007

An investor buys a call option that has an option premium of \$5 and a strike price of \$22.50. The current market price of the stock is \$25.75. At expiration, the value of the stock is \$23.00. The net profit/loss of the call position is *closest* to:

- ☐ A) -\$5.00.
- ☐ B) \$4.50.
- ☒ C) -\$4.50.

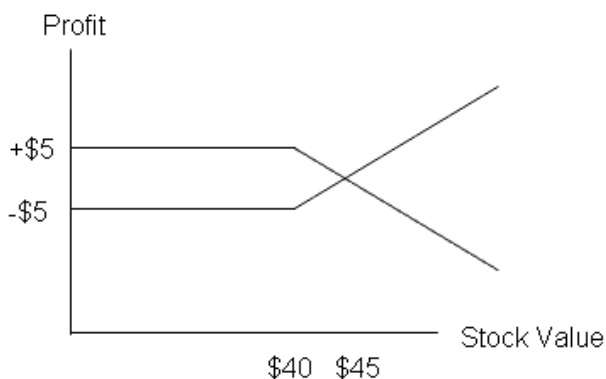
Explanation

The option is in-the-money by \$0.50 (\$23.00 - \$22.50). The investor paid \$5.00 for the call option, thus the net loss is -\$4.50 (\$0.50 - \$5.00).

Question #2 of 41

Question ID: 434441

Given the profit and loss diagram of two options at expiration shown below which of the following statements is *most* accurate?



- ☒ A) The stock price would have to increase above \$45 before the seller of the call starts losing money.
- ☐ B) Between a stock price of \$40 and \$45 the long call's profit is between \$0 and \$5.
- ☐ C) The maximum profit to the short put is \$5.

Explanation

This is a graph of a long call and a short call at expiration with a \$5 option premium and a strike price of \$40. Between a stock price of \$40 and \$45 the long call's profit is between -\$5 and \$0. The maximum profit to the short call is \$5. Neither of the lines on this graph is the payoff of a short put.

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Question ID: 415848

Which of the following statements about the *potential* profits and losses from selling a call is *most* accurate?

- ☐ A) Losses are limited to the strike price plus the premium.

- ✓ **B)** Losses are theoretically unlimited.
- ✗ **C)** Profits are theoretically unlimited.

Explanation

The following table provides the potential payoffs from puts and calls.

	Buyer/Holder		Seller/Writer	
	Potential Gain	Potential Loss	Potential Gain	Potential Loss
Call	Unlimited	Premium	Premium	Unlimited
Put	Strike P - Premium	Premium	Premium	Strike P - Premium

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Question ID: 415999

An investor buys 5 calls on Stock XYZ with a strike price of \$10 for a price of \$1 per call. Three months later, Stock XYZ is trading for \$15 per share. Each call entitles the owner to buy 2 shares of Stock XYZ. What is the investor's net profit?

- ✓ **A)** \$45.
- ✗ **B)** \$20.
- ✗ **C)** \$0.

Explanation

$(\$15 - \$10) \times (5 \times 2) - (\$1 \times 5 \text{ calls})$. The gross payoff is $(15 - 10) \times 10 = \$50$. The net profit is $\$50 - \text{price of calls } (\$5) = \$45$.

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Question ID: 416008

An investor purchases a stock for \$40 a share and simultaneously sells a call option on the stock with an exercise price of \$42 for a premium of \$3/share. Ignoring dividends and transactions cost, what is the maximum profit that the writer of this covered call can earn if the position is held to expiration?

- ✗ **A)** \$3.
- ✗ **B)** \$2.
- ✓ **C)** \$5.

Explanation

This is an out of the money covered call. The stock can go up \$2 to the strike price and then the writer will get \$3 for the premium, total \$5.

Question #6 of 41

Question ID: 415850

Which of the following statements about put and call options at expiration is *least* accurate?

Put

Call

- ☐ A) The maximum gain to the buyer is limited to the exercise price less the premium. The maximum gain to the buyer is unlimited.
- ☒ B) The maximum gain to the buyer is unlimited. The maximum loss to the writer is the premium.
- ☐ C) The maximum loss to a writer is the exercise price less the premium. The maximum gain to the buyer is unlimited.

Explanation

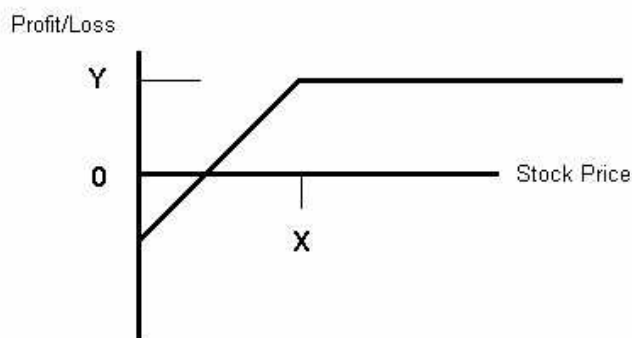
The maximum gain to the buyer of a put is limited to the exercise price less the premium.

The maximum loss to the writer of a call is unlimited.

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Question ID: 434446

Given the covered call option diagram below and the following information, what are the dollar values for points X and Y? The market price of the stock is \$70, the strike price of the call is \$80, and the call premium is \$5.



- | | <u>Point X</u> | <u>Point Y</u> |
|--|----------------|----------------|
| <input type="radio"/> A) \$75 | | \$15 |
| <input type="radio"/> B) \$80 | | \$5 |
| <input checked="" type="radio"/> C) \$80 | | \$15 |

Explanation

The kink in the diagram of a covered call is always at the exercise price of the option. Therefore, point X is \$80. As the stock price rises above \$80, the stock is called away and the maximum gain is the call premium plus the stock price gain ($\$80 - \70). The maximum gain, then, at point Y is $(\$5 + \$10 = \$15)$.

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Question ID: 416002

An investor bought a 15 call for \$14 on a stock trading at \$20. If the stock is trading at \$24 at option expiration, what is the profit and the value of the call at option expiration?

<u>Profit</u>	<u>Value of the Call</u>
X A) -\$5	\$5
✓ B) -\$5	\$9
X C) \$1	\$9

Explanation

The potential gains on a call purchase are unlimited. With a stock price of \$24, the call at 15 is \$9 in the money. By subtracting out the 14 call price a loss of \$5 results.

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Question ID: 416017

Jasper Quartermaine is interested in using the options market to create "insurance" against a severe drop in the value of a stock portfolio that he owns. How could he *best* accomplish this goal and what is this type of strategy called?

<u>Type of option</u>	<u>Strategy</u>
X A) write call options	protective put
✓ B) buy put options	protective put
X C) write call options	covered call

Explanation

An investor can simulate portfolio insurance by purchasing put options. Losses in the underlying portfolio are offset by gains in the put position. The investor is already long his portfolio and if he buys a long put for his portfolio he is replicating a protective put strategy.

Question #10 of 41

Question ID: 416030

An investor buys a 30 put on a share of stock for a premium of \$7 and simultaneously buys a share of stock for \$26. The breakeven price on the position and the maximum gain on the position are:

<u>Breakeven price</u>	<u>Maximum gain</u>
X A) \$21	\$11
X B) \$37	\$11
✓ C) \$33	unlimited

Explanation

To break even, the stock price should rise as high as the amount invested, \$33 (\$26 + \$7). The maximum gain is unlimited, as the gain will be as high as the increase in the stock price.

Question #11 of 41

Question ID: 415995

A call option has a strike price of \$35 and the stock price is \$47 at expiration. What is the expiration day value of the call option?

- ✓ **A) \$12.**
- X **B) \$35.**
- X **C) \$0.**

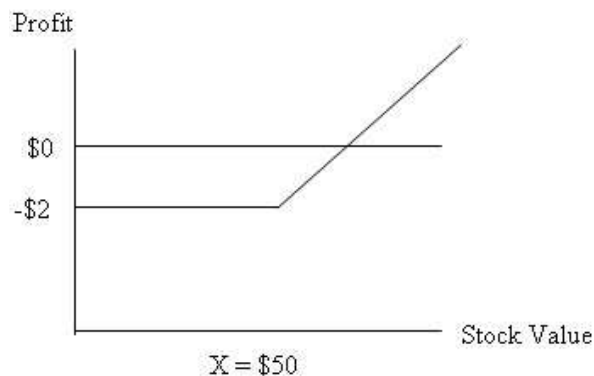
Explanation

A call option has an expiration day value of $\text{MAX}(0, S - X)$. Here, X is \$35 and S is \$47.

Question #12 of 41

Question ID: 434447

Given the payoff diagram shown below of an option combined with a long position in a stock, which of the following statements *most* accurately describes the profit or loss potential to the holder of the combined position?



- X **A) The maximum profit on the short put is \$2.**
- ✓ **B) The maximum loss on the long put is its cost.**
- X **C) The maximum profit on the long call is unlimited.**

Explanation

This is a graph of a protective put, which is a combination of owning the stock and purchasing a put on the same stock. The maximum loss on the put is its \$2 cost. The statements regarding the maximum profit on a long call or a short put are true, but neither of these positions are held by the owner of the protective put.

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Question ID: 415997

A call option has a strike price of \$120, and the stock price is \$105 at expiration. The expiration day value of the call option is:

- X A) \$105.
- X B) \$15.
- ✓ C) \$0.

Explanation

A call option has an expiration day value of $\text{MAX}(0, S - X)$. Here, X is \$120 and S is \$105. Because the call option is *out of the money* at expiration, its value is zero.

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Question ID: 415865

Which of the following statements about uncovered call options is *least* accurate?

- ✓ A) **The most the writer can make is the premium plus the difference between the exercise price (X) and the stock price (S).**
- X B) The loss potential to the writer is unlimited.
- X C) The profit potential to the holder is unlimited.

Explanation

The most the writer can make is the premium. If the writer wrote a covered out of the money call, then the writer would make the premium plus the increase in the stock's price $X - S$.

Question #15 of 41

Question ID: 416015

Which of the following statements about put options is *least* accurate? The most the:

- X A) **writer can lose is the strike price less the premium.**
- ✓ B) buyer can gain is unlimited.
- X C) writer can gain is the put premium.

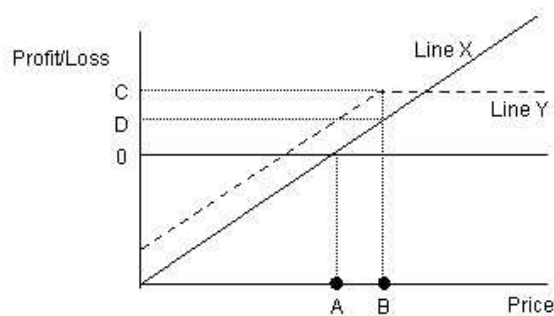
Explanation

The most the put buyer can gain is the strike price of the stock less the premium.

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Question ID: 434445

Donner Follette holds stock in Hamilton Properties, which is currently trading at \$25.70 per share. On the advice of this investment advisor, he conducts a covered call transaction at a strike price of \$30 and at a premium of \$3.50. The advisor drew the following graph to help explain the transaction.



Which of the following statements about this transaction is *least* accurate?

- ☐ A) The call buyer paid \$3.50 for the right to any gain above \$30.
- ☐ B) If the stock price falls to \$23, Foliette will gain \$0.80 per share.
- ☒ C) Foliette believes the stock will appreciate significantly in the near future.

Explanation

One reason for an investor to conduct a covered call transaction is that he believes that the stock's upside potential is limited and he wants to collect some option premiums. The call writer thus trades the stock's upside potential for the premium. An investor is less likely to write a covered call if he believes the stock's upside potential is significant because he would be giving up the expected gains if the stock is called away.

The information about Foliette's gains is correct. If the stock price decreases to \$23.70, Foliette can realize a gain of \$0.80 if he sells the stock (\$23.0 value – \$25.70 + \$3.50 premium).

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Question ID: 415998

A put option has a strike price of \$80, and the stock price is \$75 at expiration. The expiration day value of the put option is:

- ☐ A) \$0.
- ☐ B) \$80.
- ☒ C) \$5.

Explanation

A put option has an expiration day value of $\text{MAX}(0, X - S)$. Here, X is \$80 and S is \$75.

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Question ID: 416025

The potential profits from writing a covered call position on a stock are:

- ☐ A) greater than the potential profits from owning the stock.
- ☐ B) limited to the premium.
- ☒ C) limited to the premium plus stock appreciation up to the exercise price.

Explanation

The covered call: *stock plus a short call, or a short put*. The term covered means that the stock covers the inherent obligation assumed in writing the call. Why would you write a covered call? You feel the stock's price will not go up any time soon, and you want to increase your

income by collecting some call option premiums. To add some insurance that the stock won't get called away, the call writer can write out-of-the money calls. You should know that this strategy for enhancing one's income is not without risk. *The call writer is trading the stock's upside potential for the call premium.* The desirability of writing a covered call to enhance income depends upon the chance that the stock price will exceed the exercise price at which the trader writes the call. The owner of a stock has the rights to *all* upside potential. The profits for a short call are limited to the premium.

For example, say that a stock owner writes a covered call at a stock price (S) of \$50 and an exercise price (X) of \$55 for a premium of \$4. If at expiration, the price of the stock is more than \$50 but less than \$55, the buyer will not exercise, and the writer will "gain" the premium plus any stock appreciation between \$50 and \$55. If at expiration, the price of the stock is more than \$55, the buyer will exercise for \$55 and the writer's gain is limited to the premium plus the appreciation from \$50 to \$55.

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Question ID: 416014

A stock is trading at \$18 per share. An investor believes that the stock will move either up or down. He buys a call option on the stock with an exercise price of \$20. He also buys two put options on the same stock each with an exercise price of \$25. The call option costs \$2 and the put options cost \$9 each. The stock falls to \$17 per share at the expiration date and the investor closes his entire position. The investor's net gain or loss is:

- ✓ **A) \$4 loss.**
- X B) \$3 loss.
- X C) \$4 gain.

Explanation

The total cost of the options is $\$2 + (\$9 \times 2) = \$20$.

At expiration, the call is worth $\text{Max}[0, 17-20] = 0$. Each put is worth $\text{Max}[0, 25-17] = \$8$. The investor made \$16 on the puts but spent \$20 to buy the three options, for a net loss of \$4.

Question #20 of 41

Question ID: 416012

Al Steadman receives a premium of \$3.80 for shorting a put option with a strike price of \$64. If the stock price at expiration is \$84, Steadman's profit or loss from the options position is:

- X A) \$23.80.
- ✓ **B) \$3.80.**
- X C) \$16.20.

Explanation

The put option will not be exercised because it is out-of-the-money, $\text{MAX}(0, X-S)$. Therefore, Steadman keeps the full amount of the premium, \$3.80.

Question #21 of 41

Question ID: 416020

George Mote owns stock in IBM currently valued at \$112 per share. Mote writes a call option on IBM with an exercise price of \$120. The call option is sold for \$1.80. At expiration, the price of IBM is \$115. What is Mote's profit (or loss) from his covered call strategy? Mote:

- ✓ **A) gained \$4.80.**
- X **B) gained \$3.00.**
- X **C) lost \$3.20.**

Explanation

Since the option is out-of-the-money at expiration ($\text{MAX}(0, S - X)$), the option is worthless. Also, the stock increased in value from \$112 per share to \$115 per share, creating a \$3 gain. The \$3 gain in the stock price is added to the \$1.80 gain from writing the (unexercised) call option. Therefore, the total gain is \$4.80 (\$3 + \$1.80).

Question #22 of 41

Question ID: 416013

Linda Reynolds pays \$2.45 to buy a call option with a strike price of \$42. The stock price at which Reynolds earns \$3.00 from her call option position is:

- X **A) \$42.00.**
- X **B) \$2.45.**
- ✓ **C) \$47.45.**

Explanation

To earn \$3.00, the stock price must be above the strike price by \$3.00 plus the premium Reynolds paid to buy the option (\$42.00+\$3.00+\$2.45).

Question #23 of 41

Question ID: 416028

The shape of a protective put payoff diagram is most similar to a:

- ✓ **A) long call.**
- X **B) short call.**
- X **C) covered call.**

Explanation

The payoff diagram for a protective put is like that of a call option but shifted upward by the exercise price of the put.

Question #24 of 41

Question ID: 416000

An investor writes a July 20 call on a stock trading at 23 for premium of \$4. The breakeven price on the trade and the maximum gain on the trade are, respectively:

<u>Breakeven</u> <u>Price</u>	<u>Maximum Gain</u>
X A) \$24	\$3
X B) \$27	\$4

✓ C) \$24 \$4

Explanation

The breakeven price is the premium received on the call plus the strike price. For a writer of an option, the maximum gain is the premium received.

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Question ID: 416029

An investor buys a share of stock at \$33 and simultaneously writes a 35 call for a premium of \$3. What is the maximum gain and loss?

	<u>Maximum Gain</u>	<u>Maximum Loss</u>
X A) \$2	\$35	
X B) unlimited	\$33	
✓ C) \$5	\$30	

Explanation

The maximum gain on the stock itself is \$2 (\$35 – \$33). At stock prices above the exercise price, the stock will be called away from the investor. The gain from writing the call is \$3 so the total maximum gain is \$5. If the stock ends up worthless, the call writer still has the call premium of \$3 to offset the \$33 loss on the stock so the total maximum loss is \$30.

Question #26 of 41

Question ID: 416006

Which of the following statements regarding call options is *most* accurate? The:

- ✓ A) breakeven point for the buyer is the strike price plus the option premium.
- X B) call holder will exercise (at expiration) whenever the strike price exceeds the stock price.
- X C) breakeven point for the seller is the strike price minus the option premium.

Explanation

The breakeven for the buyer and the seller is the strike price plus the premium. The call holder will exercise if the market price exceeds the strike price.

Question #27 of 41

Question ID: 416027

A covered call position is:

- X A) the simultaneous purchase of the call and the underlying asset.
- X B) the purchase of a share of stock with a simultaneous sale of a put on that stock.
- ✓ C) the purchase of a share of stock with a simultaneous sale of a call on that stock.

Explanation

The covered call: *stock plus a short call*. The term covered means that the stock covers the inherent obligation assumed in writing the call. Why would you write a covered call? You feel the stock's price will not go up any time soon, and you want to increase your income by collecting some call option premiums. To add some insurance that the stock won't get called away, the call writer can write out-of-the money calls. You should know that this strategy for enhancing one's income is not without risk. The call writer is trading the stock's upside potential for the call premium. The desirability of writing a covered call to enhance income depends upon the chance that the stock price will exceed the exercise price at which the trader writes the call.

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Question ID: 416010

Suppose the price of a share of Stock A is \$100. A European call option that matures one month from now has a premium of \$8, and an exercise price of \$100. Ignoring commissions and the time value of money, the holder of the call option will earn a profit if the price of the share one month from now:

- ☐ A) increases to \$106.
- ☐ B) decreases to \$90.
- ☒ C) increases to \$110.

Explanation

The breakeven point is the strike price plus the premium, or $\$100 + \$8 = \$108$. Any price greater than this would result in a profit, and the only choice that exceeds this amount is \$110.

Question #29 of 41

Question ID: 434443

Shigeo Kishiro recently purchased an American put option and Lendon Grey recently wrote an American call option on the same underlying stock, Tackel Sports (currently trading at \$40 per share). Kishiro paid \$2.75 for an exercise price of \$38.00 and Grey received \$3.75 for a strike price of \$42. Assume that there are no transaction costs to exercise. Which of the following statements about the investors is *least accurate*?

- ☐ A) Kishiro's maximum gain is the strike price minus the premium.
- ☐ B) Grey's maximum loss is unlimited.
- ☒ C) Grey's maximum gain and Kishiro's maximum loss sum to zero.

Explanation

Although options are a zero-sum game, it is the counterparty exposures that net to zero. For example, the put buyer's maximum loss = put writer's maximum gain = the premium. The other statements are true. Note that the reason why Grey's loss is unlimited is that he does not currently own the stock. In other words, he has a naked position. If the stock were to rise, Grey would be forced to buy the stock in the open market to settle the exercise of the option. Because the potential for the stock to rise is unlimited, the potential loss for the naked call writer is also unlimited.

Question #30 of 41

Question ID: 416023

The profit/loss diagram for a covered call strategy looks like what other type of profit/loss diagram?

- ☐ A) Short call.
- ☒ B) Short put.

☐ C) Long put.

Explanation

The profit/loss diagram for the covered call looks like the profit/loss diagram for a short put position. Both option positions have limited profit potential, with the potential loss equal to the strike price less the premium.

Question #31 of 41

Question ID: 416011

Jimmy Casteel pays a premium of \$1.60 to buy a put option with a strike price of \$145. If the stock price at expiration is \$128, Casteel's profit or loss from the options position is:

☐ A) \$18.40.

☒ B) \$15.40.

☐ C) \$1.60.

Explanation

The put option will be exercised and has a value of $\$145 - \$128 = \$17$ [MAX (0, X-S)]. Therefore, Casteel receives \$17 minus the \$1.60 paid to buy the option. Therefore, the profit is \$15.40 (\$17 less \$1.60).

Question #32 of 41

Question ID: 416003

Mosaks, Inc., has a put option with a strike price of \$105. If Mosaks stock price is \$115 at expiration, the value of the put option is:

☐ A) \$10.

☐ B) \$105.

☒ C) \$0.

Explanation

The put has a value of \$0 because it will not be exercised. Put value is MAX (0, X-S).

Question #33 of 41

Question ID: 416019

James Jackson currently owns stock in PNG, Inc., valued at \$145 per share. Thinking that PNG is overbought and will decrease in price soon, Jackson writes a call option on PNG with an exercise price of \$148 for a premium of \$2.40. At expiration of the option, PNG stock is valued at \$152 per share. What is the profit or loss from Jackson's covered call strategy? Jackson:

☐ A) gained \$9.40.

☐ B) lost \$4.60.

☒ C) gained \$5.40.

Explanation

The option is in-the-money at expiration (MAX (0, S-X)) and the PNG stock will be called away from Jackson at \$148 per share, limiting Jackson's gain from owning the stock to \$3 (\$148-\$145). However, Jackson also gains the \$2.40 from writing the call

option. Therefore, Jackson's gain from the covered call strategy is \$5.40 (\$3.00+\$2.40).

Question #34 of 41

Question ID: 416026

A covered call position is equivalent to:

- ☐ A) owning the stock and a long put.
- ☐ B) owning the stock and a long call.
- ☒ C) a short put.

Explanation

The covered call: *stock plus a short call, or a short put*. The term covered means that the stock covers the inherent obligation assumed in writing the call. Why would you write a covered call? You feel the stock's price will not go up any time soon, and you want to increase your income by collecting some call option premiums. To add some insurance that the stock won't get called away, the call writer can write out-of-the-money calls. You should know that this strategy for enhancing one's income is not without risk. The call writer is trading the stock's upside potential for the call premium. The desirability of writing a covered call to enhance income depends upon the chance that the stock price will exceed the exercise price at which the trader writes the call. This is similar reasoning to selling (or going short) a put. A put is *in-the-money* when the exercise price is above the stock price. Since the seller of a put prefers that the buyer just pay the premium and never exercise, the seller wants the price of the stock to remain above the exercise price.

Question #35 of 41

Question ID: 416001

An investor bought a 40 put on a stock trading at 43 for a premium of \$1. What is the maximum gain on the put and the value of the put at expiration if the stock price is \$41?

<u>Maximum Gain on Put</u>	<u>Value of the Put at Expiration</u>
----------------------------	---------------------------------------

- | | |
|--|-----|
| <input checked="" type="radio"/> A) \$39 | \$0 |
| <input type="radio"/> B) \$42 | \$2 |
| <input type="radio"/> C) \$40 | \$2 |

Explanation

The maximum gain on a long put is the strike price minus the premium, $40 - 1 = \$39$. The value at expiration is zero because the put is out-of-the-money.

Question #36 of 41

Question ID: 416009

A put on Stock X with a strike price of \$40 is priced at \$3.00 per share; while a call with a strike price of \$40 is priced at \$4.50. What is the maximum per share loss to the writer of the uncovered put and the maximum per share gain to the writer of the uncovered call?

<u>Maximum Loss to Put Writer</u>	<u>Maximum Gain to Call Writer</u>
-----------------------------------	------------------------------------

- | | |
|---|--------|
| <input checked="" type="radio"/> A) \$37.00 | \$4.50 |
|---|--------|

- X **B)** \$40.00 \$4.50
- X **C)** \$37.00 \$35.50

Explanation

The maximum *loss* to the uncovered put writer is the strike price less the premium, or $\$40.00 - \$3.00 = \$37.00$. The maximum *gain* to the uncovered call writer is the premium, or \$4.50.

Question #37 of 41

Question ID: 416004

Consider a call option with a strike price of \$32. If the stock price at expiration is \$41, the value of the call option is:

- ✓ **A)** \$9.
- X **B)** \$41.
- X **C)** \$0.

Explanation

The call has a \$9 ($\$41 - \32) value at expiration, because the holder of the call can exercise his right to buy the stock at \$32 and then sell the stock on the open market for \$41. Remember, the intrinsic value of a call at expiration is $\text{MAX}(0, S-X)$.

Question #38 of 41

Question ID: 416021

In October, James Knight owned stock in Valerio, Inc., that was valued at \$45 per share. At that time, Knight sold a call option on Valerio with an exercise price of \$60 for \$1.45. In December, at expiration, the stock is trading at \$32. What is Knight's profit (or loss) from his covered call strategy? Knight:

- X **A)** gained \$11.55.
- X **B)** gained \$1.45.
- ✓ **C)** lost \$11.55.

Explanation

Since the option is out-of-the-money at expiration ($\text{MAX}(0, S-X)$), the option is worthless. Also, the stock decreased in value from \$45 per share to \$32 per share, creating a \$13 loss. The \$13 loss is partially offset by the \$1.45 premium Knight received. Therefore, the total loss from the covered call position is \$11.55 ($-\$13 + \1.45).

Question #39 of 41

Question ID: 415996

A put option has a strike price of \$65, and the stock price is \$39 at expiration. The expiration day value of the put option is:

- X **A)** \$0.
- X **B)** \$65.
- ✓ **C)** \$26.

Explanation

A put option has an expiration day value of $\text{MAX}(0, X-S)$. Here, X is \$65 and S is \$39.

Question #40 of 41

Question ID: 434442

Shigeo Kishiro recently purchased an American put option and Lendon Grey recently wrote an American call option on the same underlying stock, Tackel Sports (currently trading at \$40 per share). Kishiro paid \$2.75 for an exercise price of \$38.00 and Grey received \$3.75 for a strike price of \$42. Assume that there are no transaction costs to exercise. At a stock price of \$43:

- ✓ **A) the intrinsic value of the call is \$1.**
- X **B) if Grey exercises, he will have gained a total of \$4.75.**
- X **C) the put is at-the-money.**

Explanation

The intrinsic value of a call is $\max [0, S - X]$, where S = stock price and X = strike price. Here, $\max [0, 43 - 42] = \max [0, 1] = 1$.

The other answers are incorrect. Grey wrote the option and thus cannot exercise. The put is out-of-the money at a stock price of \$43. The put would be at-the-money if the stock price was equal to the strike price, or \$38.

Question #41 of 41

Question ID: 416018

In June, Todd Puckett bought stock in SBC Communications for \$30 per share. At that time, Puckett sold an equivalent number of call options on SBC with an exercise price of \$35 for \$2.75. In September, at expiration, the stock is trading at \$26. What is Puckett's profit per share from his covered call strategy? Puckett:

- X **A) gained \$4.00.**
- X **B) gained \$1.25.**
- ✓ **C) lost \$1.25.**

Explanation

Since the option is out-of-the-money at expiration ($\max (0, S - X)$), the options are worthless. Also, the stock decreased in value from \$30 per share to \$26 per share, creating a \$4 loss. The \$4 loss is partially offset by the \$2.75 premium Puckett received. Therefore, the loss per share from the covered call position is $\$1.25 = (-\$4 + \$2.75)$.