

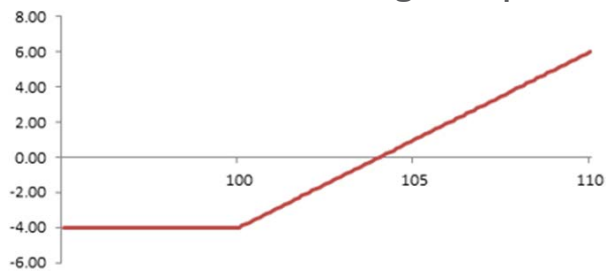
# Classroom Session 2: Buying Options

Week 2

## Homework

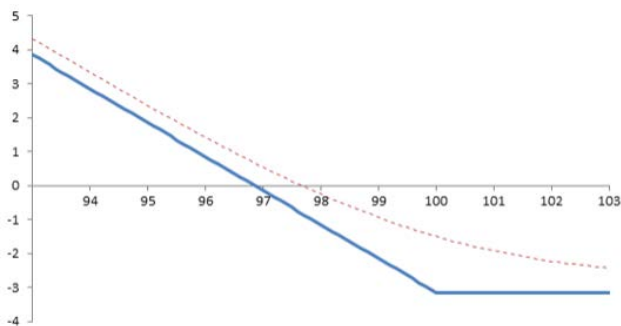
Please complete this homework before the next class in this course. We will review the answers and the project at the beginning of the next class.

What does the below P/l diagram represent?



- A. Long Call
- B. Long Put
- C. Short Call
- D. Short Put

What does the below P/l diagram represent?



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**What is the breakeven for .SPX 3300 call that you bought for \$81.10?**

- A. 3218.90
- B. 3381.10
- C. 3300
- D. 3340.50

**When a long call is exercised, what occurs in the account?**

- A. Buy 100 shares at the strike price
- B. Sell 100 shares at the strike price
- C. Buy 100 shares at the strike price + premium
- D. Sell 100 shares at the strike price + premium

**When a long put is exercised, what occurs in the account?**

- A. Buy 100 shares at the strike price
- B. Sell 100 shares at the strike price
- C. Buy 100 shares at the strike price + premium
- D. Sell 100 shares at the strike price + premium

**If I was looking to buy a call to initiate a position in my account, what action would I choose?**

- A. Buy to open
- B. Buy to close
- C. Sell to open
- D. Sell to close

**If I was looking to close out my long call that I already had in my account, what action would I choose?**

- A. Buy to open
- B. Buy to close
- C. Sell to open
- D. Sell to close

**If stock XYZ is trading at \$100, which call contract is in the money?**

- A. 95
- B. 100
- C. 105

**If stock ABC is trading at \$75, which put contract is in the money?**

- A. 70
- B. 75
- C. 80

**Which option strategy could you use if you were a long stock holder who is looking to limit downside risk?**

- A. Buying a call
- B. Buying a put
- C. Sell a straddle
- C. Sell a put

**Project:** Use the option chain on Fidelity.com and/or ATP and enter an underlying symbol of your choosing. Look up the next monthly expiration and manually calculate the breakeven, max loss, and max gain of buying an at the money call. We will review in prep portion of the class.

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read [Characteristics and Risks of Standardized Options](#). Supporting documentation for any claims, if applicable, will be furnished upon request.

Any screenshots, charts, or company trading symbols mentioned are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

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