

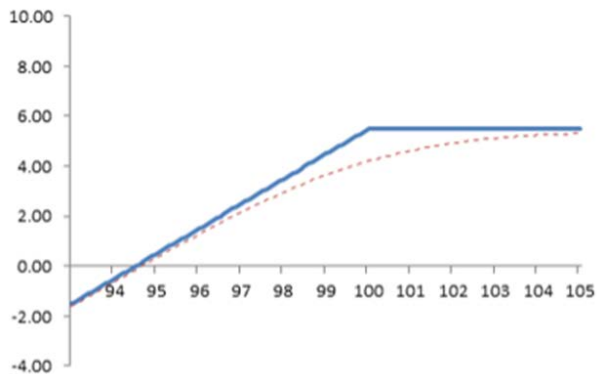
Classroom Session 3: Selling Options

Week 3

Homework

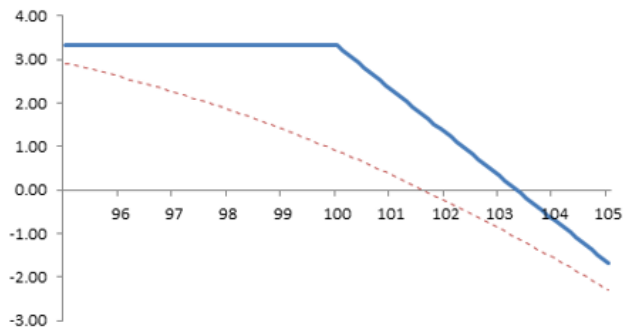
Please complete this homework before the next class in this course. We will review the answers and the project at the beginning of the next class.

What does the below P/I diagram represent?



- A. Long Call
- B. Cash Secured Put
- C. Covered Call
- D. Both B and C

What does the below P/I diagram represent?



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



When a short call is assigned, 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 short put is assigned, what occurs in the account?

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

What option strategies would benefit with an increase of the price of the underlying (bullish)?

- A. Long call, short put
- B. Long put, short put
- C. Long put, short call
- D. Long call, long put

If I was looking to sell a put 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 I was looking to close out my short put that was already in my account, what action would I choose?

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

What is the breakeven for an .SPX 3250 put that you sold for \$50?

- A. 3300
- B. 3200
- C. 3250
- D. 3350

What two option strategies are synthetically the same (risk and reward)?

- A. Long call and long put
- B. Covered call and short call
- C. Covered call and short put
- D. Covered call and long call

Project: Choose a security that you might be interested in trading, use fidelity.com or ATP to:

- A. Create an outlook on the security (Bullish, Bearish, or Neutral?)
- B. Choose an option strategy and calculate max gain, max loss, and break even on your trade.
- C. What's your exit strategy?

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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