

### **Classroom Session 3: Introduction to Options – Homework**

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

1. What option strategies would benefit with an increase of the price of the underlying (bullish)?
  - a. Long call, Long put
  - b. Long call, short call
  - c. Long put, short put
  - d. Long call, short put
  
2. What option strategies would benefit with a decrease of the price of the underlying (bearish)?
  - a. Long call, short call
  - b. Long put, short put
  - c. Long put, short call
  - d. Long call, long put
  
3. 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
  
4. 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
  
5. 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

6. 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
  
7. 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
  
8. True/false: The midpoint between the bid and ask is close to representing the theoretical price of the option.

**Project:**

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

- a. Create an outlook on the security
- b. Choose an option strategy (using profit loss calculator in atp or watchlist in fidelity.com or atp) and calculate max gain, max loss, and break even on your trade.
- c. When will you get out of trade

*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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