

NAME: _____

DATE: _____

Options Practice - Homework Questions

PART ONE: *You can ignore commission for the following questions*

The following option prices were observed for a stock on July 6 of a particular year. Use this information to solve the following questions:

Stock price 165.15

STRIKE	CALLS			PUTS		
	JULY	AUGUST	OCT.	JULY	AUGUST	OCT.
155	10.50	11.75	14.00	0.20	1.25	2.75
160	6.00	8.10	11.10	0.75	2.75	4.50
165	2.70	5.25	8.00	2.40	4.75	6.75
170	0.80	3.25	6.00	5.75	7.50	9.00

1. Compute the intrinsic and time values of the following calls
 - a) July 160
 - b) October 155
 - c) August 170
2. Compute the intrinsic and time values of the following puts
 - a) July 165
 - b) August 160
 - c) October 170
3. Explain why July 155 calls have a lower premium than August 155 calls.
4. Explain why Oct 160 calls have a larger premium than Oct 165 calls
5. Explain why Aug 160 puts have a smaller premium than Oct 170 puts