IdFM Assignment 2

1) C. out of the money   stock price > strike price

2) call = buy at fix price.   ($4) (stock=55)

~~A~~ sell the call so + $4,,   B. 4

3) ~~C. a put writer~~ D. a call write.

4) A ~~B~~. protective put.

5) $= 30 - 25 \times e^{-0.04} = 5.98$ B. 5.98

6) $66.59 + K \times e^{-0.06\times 1} = 18.64 + 500.$

$K \times e^{-0.06} = \cancel{585.23}$ 452.05, $K = 480.03$

C. 480

7) D. buy one share of stock, buy 90 call, buy a 110 put, sell two 100 puts.

8) B. short the call & long the stock.

9) D. the call option is in the money, but the put option is out of money.

10) C. butterfly spread

11) ~~B~~ D. Bull spread.

12) D. loss of Rs. 25,000

$296 - 271 = 25$

13) premium of $4 & $2 ($65 (predetermined sell price) - 63 (curr price)

~~B~~ B. 6

14) C. diversifying potential

15) C. it is an investment opportunity available to public & requires hefty investment.

16) A. construction of infrastructure assets