

**ACCOUNTANCY 422
SUPPLEMENTAL PROBLEM
PUTS AND CALLS**

1. On January 5 Chuck buys ten September 17 calls on Apache Corp. stock. The Strike price is \$90 and the premium is \$8. The notional amount for each call is 100 shares.
 - a. If on September 17 the price of Apache Corp is \$80, calculate Chuck's gain or loss.
 - b. If on September 17 the price of Apache Corp is \$95, calculate Chuck's gain or loss.
 - c. If on September 17 the price of Apache Corp is \$110, calculate Chuck's gain or loss.

2. On February 25 Bobbie Jo buys twenty October 20 puts on BMY stock. The strike price is \$35 and the premium is \$4. The notional amount for each put is 100 shares.
 - a. If on October 20 the price of BMY is \$30, calculate Bobbie Jo's gain or loss.
 - b. If on October 20 the price of BMY is \$40, calculate Bobbie Jo's gain or loss.
 - c. If on October 20 the price of BMY is \$33, calculate Bobbie Jo's gain or loss.

3. On March 9 Kevin sells five August 20 calls on CAT stock. The strike price is \$70 and the premium is \$7. The notional amount for each call is 100 shares.
 - a. If on August 20 the price of CAT is \$68, calculate Kevin's gain or loss.
 - b. If on August 20 the price of CAT is \$75, calculate Kevin's gain or loss.
 - c. If on August 20 the price of CAT is \$78, calculate Kevin's gain or loss.

4. On April 14 Keryn sells fifteen December 17 puts on PPG stock. The strike price is \$55 and the premium is \$5. The notional amount for each put is 100 shares.
 - a. If on December 17 the price of PPG is \$50, calculate Keryn's gain or loss.
 - b. If on December 17 the price of PPG is \$60, calculate Keryn's gain or loss.
 - c. If on December 17 the price of PPG is \$40, calculate Keryn's gain or loss.