

Question #1 of 10

Question ID: 1574505

A synthetic European call option includes a short position in:

- A) the underlying asset.
 - B) a risk-free bond.
 - C) a European put option.
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Question #2 of 10

Question ID: 1574510

An investor calculates that the premium of a European put option is less than its value based on put-call parity. In exploiting this arbitrage opportunity, the investor is *most likely* to:

- A) invest the present value of the exercise price at the risk-free rate.
 - B) sell the call option.
 - C) sell the underlying short.
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Question #3 of 10

Question ID: 1574506

A fiduciary call is a portfolio that is made up of:

- A) a call option and a bond that pays the exercise price of the call at option expiration.
 - B) a call option and a share of stock.
 - C) a call that is synthetically created from other instruments.
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Question #4 of 10

Question ID: 1574508

Using put-call parity, it can be shown that a synthetic European put can be created by a portfolio that is:

- A) short the stock, long the call, and long a pure discount bond that pays the exercise price at option expiration.
 - B) short the stock, long the call, and short a pure discount bond that pays the exercise price at option expiration.
 - C) long the stock, short the call, and short a pure discount bond that pays the exercise price at option expiration.
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Question #5 of 10

Question ID: 1574507

Using put-call parity, it can be shown that a synthetic European call can be created by a portfolio that is:

- A) long the stock, short the put, and short a pure discount bond that pays the exercise price at option expiration.
 - B) long the stock, long the put, and long a pure discount bond that pays the exercise price at option expiration.
 - C) long the stock, long the put, and short a pure discount bond that pays the exercise price at option expiration.
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Question #6 of 10

Question ID: 1574513

Consider a European call option and put option that have the same exercise price, and a forward contract to buy the same underlying asset as the two options. An investor buys a risk-free bond that will pay, on the expiration date of the options and the forward contract, the difference between the exercise price and the forward price. According to the put-call-forward parity relationship, this bond can be replicated by:

- A) writing the call option and buying the put option.
 - B) buying the call option and writing the put option.
 - C) writing the call option and writing the put option.
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Question #7 of 10

Question ID: 1574504

A synthetic European put option includes a short position in:

- A) the underlying asset.
 - B) a risk-free bond.
 - C) a European call option.
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Question #8 of 10

Question ID: 1574509

Which of the following portfolios has the same future cash flows as a protective put?

- A) Long call option, long risk-free bond, short the underlying asset.
 - B) Long call option, long risk-free bond.
 - C) Short call option, long risk-free bond.
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Question #9 of 10

Question ID: 1574511

Which of the following instruments is a component of the put-call-forward parity relationship?

- A) The spot price of the underlying asset.
 - B) The present value of the forward price of the underlying asset.
 - C) The future value of the forward price of the underlying asset.
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Question #10 of 10

Question ID: 1574512

The relationship referred to as put-call-forward parity states that at time = 0, if there is no arbitrage opportunity, the value of a call at X on an asset that has no holding costs or benefits plus the present value of X is equal to:

- A) the asset price minus the value of a put option at X.
- B) the value of a put option at X plus the present value of the forward contract price.
- C) the forward contract price plus the value of a put option at X.