Q. Which of the following *most likely* has an embedded derivative in its structure?

A. A put option
B. A callable bond
C. A futures contract

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Moderate

Q. In the over-the-counter derivatives market, *most* transactions occur between end users and:

A. dealers.
B. other end users.
C. a central counterparty.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Difficult

Q. An end user seeking to hedge a specific underlying exposure having non-standard size and settlement dates would *most likely* trade on a(n):

A. futures market.
B. over-the-counter derivative market.
C. exchange-traded derivative market.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Easy

Q. Compared to over-the-counter derivatives, exchange-traded derivatives:

A. are less standardized.
B. provide less transparency.
C. have lower transaction costs.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Easy

The following portfolios contain a company's stock and a derivative on the stock:

Portfolio	Securities
1	Stock and a short futures position
2	Stock and a short call option position
3	Stock and a short warrant position

Q. The portfolio containing a derivative acting as a firm commitment to hedge the stock is *most likely*:

A. Portfolio 1.
B. Portfolio 2.
C. Portfolio 3.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Difficult

The following information relates to a put option and the underlying stock:

Stock price at expiration	$85
European put strike price	$78

Q. The value of the put option to the option seller at expiration is:

A. –$7.
B. $0.
C. $7.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Moderate

Q. A call option that is sold for $4 has an exercise price of $40. If the price of the underlying is $43 at expiration, the value of the option to the seller is *closest* to:

A. –$3, and the loss to the seller is $1.
B. –$3, and the profit to the seller is $1.
C. $3, and the loss to the seller is $1.

✖ A

✖ B

✖ C

Confidence Level:

Low	Medium	High

Confirm

Skip

Difficulty Level:
Moderate

A call option had the following characteristics on the date it was created:

Exercise price	$20
Option premium	$3

Q. If the price of the underlying is $17 at expiration, the profit to the option holder is *closest* to:

A. −$3.
B. $0.
C. $3.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Moderate

A call option has the following characteristics:

Value of underlying at expiration	$2,020
Exercise price	$2,100
Call premium	$80

Q. The profit to the call seller is *closest* to:

A. −$80.
B. $0.
C. $80.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:

Easy

Q. An American put has a strike price of ¥5,000 and expires in one year. The current price of the underlying is ¥4,200 and the risk-free rate is 2%. The maximum value of this put is:

A. ¥800.
B. ¥4,900.
C. ¥5,000.

✖ A

✖ B

✖ C

Confidence Level:

Low | Medium | High

Confirm

Skip

Difficulty Level:
Expert