**Exercise – Options**

**Example 1**

Shares in Beckenham Ventures Plc are trading at 125p

Investor Jones thinks the shares are going nowhere

Investor Smith believes the share price is going to rise sharply over the course of the next three months

Investor Smith buys a 150p call option for three months

Investor Jones writes (sells) the **call option**. Investor Jones charges investor Smith a non-refundable premium of 20p

What will happen if:

1. Beckenham Ventures plc share price rise above 170p?

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2. Beckenham Ventures plc share price rises to 155p?

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3. Beckenham Ventures plc share price rises only slightly to 127p?

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**Example 2**

Shares in Gameshare Megastore Plc are trading at 240p

Investor Jones believes the share price will rise slightly

Investor Smith believes the share price will fall sharply over the next 3-months

Investor Smith buys the option written by Mr.Jones for a premium of 30p

Investor Jones writes a **put option** for Gameshare Megastore plc shares at 220p for 3-months

What will happen if:

1. Gameshare Megastore plc shares are trading at 160p?

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1. Gameshare Megastore plc shares are trading at 210p?

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1. Gameshare Megastore plc shares are trading at 230p?

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