Stock Options: Definitions

1. Read the material about stock options in your e-text. Find and read at least two other sources of information about stock options (in books, journals, or on the Internet). Give the references to each of these sources.

2. Define each of the following terms, in the context of our project.

   (a) stock
   (b) share
   (c) dividend
   (d) stock split
   (e) stock derivative
   (f) stock option
   (g) underlying instrument (underlying asset)
   (h) call option
   (i) put option
   (j) American option
   (k) European option
   (l) strike price (exercise price)
   (m) to exercise a stock option
   (n) volatility of a stock
   (o) risk-free interest rate
   (p) arbitrage
   (q) hedging
   (r) in-the-money for a call option
   (s) out-of-the-money for a call option
   (t) at-the-money for a call option
   (u) in-the-money for a put option
   (v) out-of-the-money for a put option
   (w) at-the-money for a put option

3. List three potential benefits of owning stock options.