

Options Trading Practice Test Questions and Answers

1. Define a Put Option

- A) The right to purchase the underlying asset at maturity or earlier
- B) Having the ability to vote in company board meetings
- C) The right to sell the underlying asset at maturity or earlier
- D) All options are correct

2. What is a 'LEAPS' option?

- A) A long-term equity anticipation security with expiration over one year away
- B) A leveraged exchange-traded options product
- C) An option on a leveraged ETF
- D) A type of option on futures contracts

3. A cash-secured put involves:

- A) Selling a put option while holding enough cash to buy the shares if assigned
- B) Buying a put option backed by cash in the account
- C) Selling a put to hedge a long stock position
- D) Buying shares and simultaneously buying a put

4. What is a covered call strategy?

- A) Selling a call option while holding the underlying stock
- B) Buying a call option to cover a short stock position
- C) Selling a call option with no underlying position
- D) Buying a call to hedge against a short call

Answers: 1-C 2-A 3-A 4-A

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