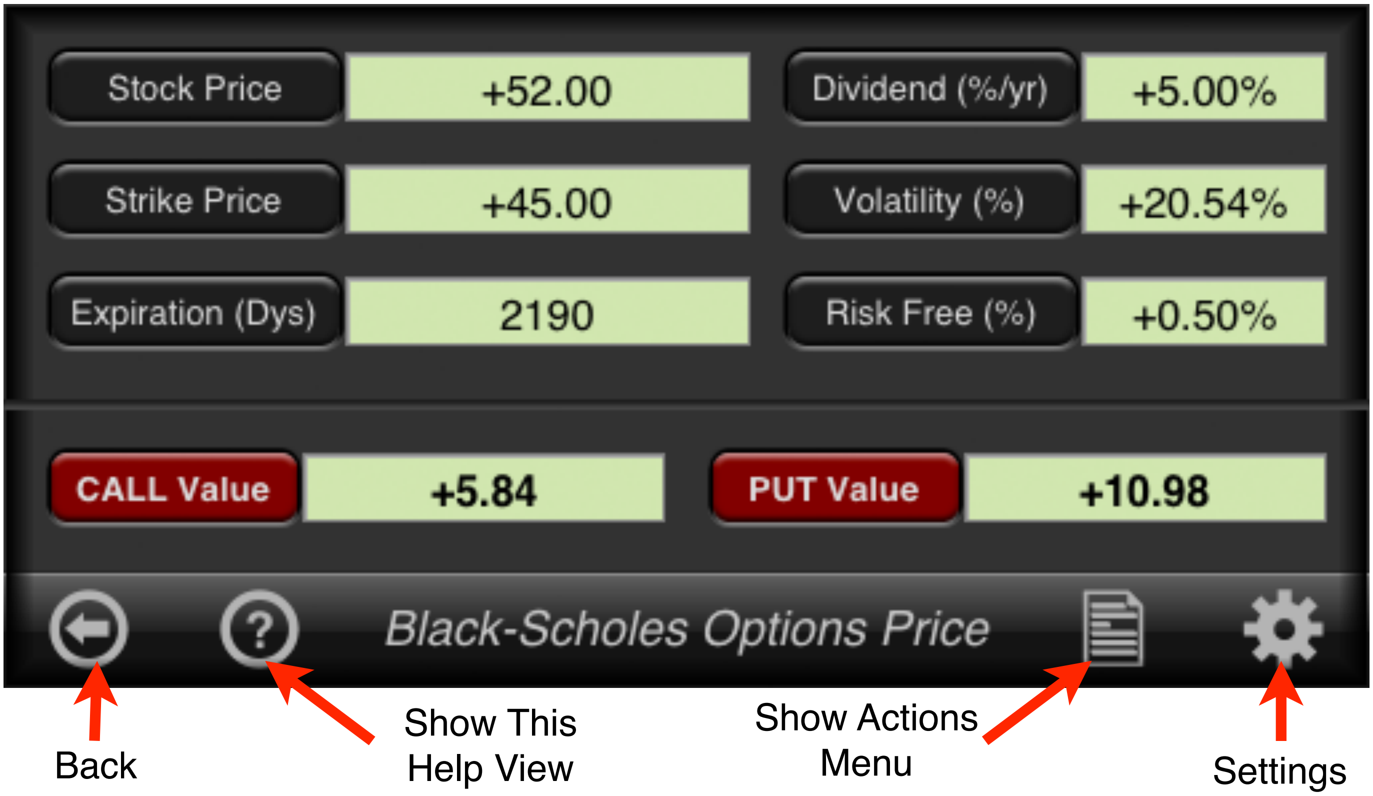
Black-Scholes Option Valuation Model Tool

This tool implement the widely used Black-Scholes options valuation model used to calculate the prices of “CALL” and “PUT” stock options.



Black-Scholes Option Valuation Model Buttons	
Stock Price	Stores the current market price of the asset.
Strike Price	Stores the exercise price of the asset or strike price.
Expiration (Dys)	Stores the number of days of the option to expire (number of days between Stock and Strike dates).
Dividend (%/yr)	Stores the annual dividend yield of the asset in % per year.
Volatility (%)	Stores the volatility of the market price of the asset in %.
Risk Free (%)	Stores the risk free rate of the market in % per year.
CALL Value	Calculates the Call option price for the asset.
PUT Value	Calculates the Put option price for the asset.

Toolbar Button Action	
	Close the tool view and get back to the Options Selection Menu.
	Shows the Help View with the this topic selected.
	Pop up the Action Menu for this View (see “Toolbar Actions Menu” below).
	Shows the “General Settings” view to customize the RLM-12 Finance Center application.

Toolbar Button Action	
Load Option	Show the file dialog to load a previously saved option file.
Save Option	Show the file dialog to save the current option in a file.
Email Option	Opens an Email compose view to send the Option complete data to an Email address.
Reset Data	Clears the option values.
Cancel	Close the actions menu.

Example:
Consider a European call and put options on a stock that has a current spot price of $50 and a volatility of 25%. The option has a strike price of $60 and matures in 180 days. The risk-free interest rate is 7%.
What is the value of the PUT and the CALL options?.

Solution:
First expand the RLM-12 Finance Center to show the “Options Selection Menu” and select the “Black-Scholes OVM”” option. Then follow the next sequence:

Keystroke	Description
Touch [Actions Menu icon]	Display the Actions Menu.
Touch "**Reset Data**"	Clears all the variables.
Type "**50**" & Stock Price	Input the current market value of the underlying asset.
Type "**60**" & Strike Price	Input the strike price on the option.
Type "**25**" & Volatility (%)	Input the stock annualized volatility.
Type "**0**" & Dividend (%/yr)	Input the current annualized dividend yield of the asset.
Type "**7**" & Risk Free (%)	Input the risk free rate that corresponds to the option life-time.
Type "**180**" & Expiration (Dys)	Input the number of days to expiration of the option.
CALL Value	Calculates the CALL option price. Result = **1.05**
PUT Value	Calculates the PUT option price. Result = **9.02**