

# SeeWhy Financial Learning's ~ CSC® #1 Exam Preparation Materials ~

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Here at SeeWhy Financial Learning, we have a knack for making difficult concepts seem easy. After hearing a topic explained properly by one of our trainers, our students often say, “Why doesn’t the textbook just teach it that way?” Frankly, we don’t know why, so we started our own company!

Our CSC® Exam Preparation Success Package provides you with study tools to speed up your learning and ensure that your first exam attempt is a successful one. This package is so effective that it comes with a money back guarantee. In the unlikely event that you do not pass, we will refund your money!

The success package includes:

- Key Concept Flash Cards (online – free sample on our website)
- Realistic Practice Exam Program (online – free sample on our website)
- Textbook Summary Study Guide

The Textbook Summary study guide:

- ✓ Simplifies the CSC® Volume I textbook using everyday language, memory aids and analogies
- ✓ Contains approximately 200 CSC® practice questions
- ✓ Significantly reduces CSC® study time

You can try our exam preparation software for free on our website. The following will give you a feel for how we simplify concepts in our Textbook Summary study guide.

## **Easy To Understand Text Book Summary**

Our study notes read very much as we teach in a classroom setting. They are informal, use everyday language, give you insight as to what is most important for the exam, and use memory aids. All of this makes the learning easier. The following are some excerpts from our CSC® exam #1 Exam Prep Study Guide.

### ***Excerpt #1:***

#### ***What is a fixed income investment?***

The fixed income and equity chapters discuss the different types of securities that either a company or government could issue in order to raise capital. Let's first explore why a corporation or government would want to borrow.

Consider the following examples:

#### **A Corporation:**

Steven is an entrepreneur who owns his own company called New Co. He has an idea for an excellent product for which he knows there will be significant demand. The problem is that manufacturing and distributing his product will cost a lot of money. Steven is not alone; many entrepreneurs and/or companies have unique ideas, but to capitalize on these ideas they need money. How can Steven raise the required capital for his company? In order to raise capital, New Co. could:

- 1) Issue a bond or debenture
- 2) Issue Preferred Shares (to be discussed in the Equities chapter)
- 3) Issue Common Shares (to be discussed in the Equities chapter)

#### **The Government:**

The provincial government is bidding to host an upcoming Olympics, as it knows that hosting the event within Canada will be very beneficial for the economy. The Olympics will bring lots of tourism to Canada and in turn create many opportunities for local businesses. It will cost lots of money to effectively host the event. The government will need to build new stadiums, ramp up security and even make some improvements to roads to handle the increased traffic. How could the government raise capital? It could:

- 1) Issue a bond or debenture
- 2) Issue Treasury bills



Treasury bills, bonds and debentures will be discussed in this chapter. We will also look similar products such as Canada Savings Bonds, Strip Bonds, etc. Preferred shares and Common shares will be discussed in the equities chapter.

### **What is a fixed income investment?**

Bonds, debentures, money market instruments, mortgage backed securities, and from an investor's point of view, even preferred shares, are considered fixed income investments. This is because they all pay a fixed income to the holder of the investment.

### **Bonds and Debentures**

The terms *bond* and *debenture* may be new to you. Both are debt securities because when a company or government issues a bond or debenture, it is essentially borrowing money. Before we discuss how bonds and debentures work, it may be helpful for you to think of a time when you as an individual borrowed money because bonds and debentures are nothing more than loans themselves. Many of the features of your personal loan would have been similar to the features of a bond or debenture.

Consider David's car loan, discussed below:

David needed \$20,000 to buy a new car. He borrowed \$20,000 from the bank and agreed to repay the loan over the next 5 years. The interest rate that David negotiated was 9%. The following features of his car loan would also apply to a company or government issuing a bond.

- A certain amount of money is borrowed.
- It is required to be repaid over the term of the loan
- Interest must be paid along the way.
- The interest rate being charged (and in turn the interest paid) will more than likely be fixed, meaning the interest rate will not change even if rates in the market place go up or down.

### **What is the difference between a bond and a debenture?**

Going forward, we will use the term "bond" or "debenture" interchangeably because they are essentially the same thing, with one small exception.

Bonds: *Secured* by specific assets (secured loan, like the mortgage on your home).  
Debentures: *Unsecured* and are only backed by the issuer's promise to repay (an unsecured loan, like your credit card).

## **Bonds**

When you buy a bond directly from an issuer (company or government), you are essentially lending it money in exchange for interest over the life of the bond. As with any loan, you expect to receive your principal back at maturity.

Example: Karl bought a \$10,000 bond from ABC Corporation. The bond had a 10-year term and a coupon rate (interest rate) of 5%. This means that over the next 10 years ABC will pay him \$500 interest per year ( $\$10,000 \times 5\%$ ) and at maturity will repay him the \$10,000 it borrowed.

The bond that Karl bought is a 10-year investment; however, Karl may not necessarily own this bond for the entire 10 years. At any point in time, should he choose to do so, he can sell the bond to another investor. A bond that can be traded (bought or sold in the marketplace) is referred to as a *marketable* bond.

### ***Excerpt #2:***

#### ***Why do bond values and interest rates move in opposite directions?***

Interest rates in the market and the market value of existing bonds are inversely related (when one goes up, the other goes down). One of the learning techniques we use at SeeWhy Financial Learning is exaggeration. As you study, it often makes a concept much easier to understand if you exaggerate. The following example is obviously exaggerated (you are not likely to find a 20% bond) but it should certainly help make things clearer.

ABC issued a 10-year bond two years ago when interest rates were extremely high. Graeme bought one of the bonds when it was first issued. The bond has a face value of \$10,000 and a coupon rate of 20%. This means the bond will pay \$2,000 in interest each year ( $\$10,000 \times 20\%$ ). Graeme now has an 8-year bond (10-year initial term but 2 years have passed). For the next 8 years, his bond will pay a 20% interest rate, which will result in a \$2,000 payment per year.



Now assume that a brand new 8-year bond would be issued today with a coupon rate of 5% because interest rates in the market have fallen substantially. A \$10,000 bond that is issued today will pay only \$500 per year ( $\$10,000 \times 5\%$ ). Have you ever read the children's story about the chicken that lays golden eggs?

It may help to think of Graeme's bond in that way. Each year his \$10,000 bond will pay him \$2,000, as compared to new bonds that will only pay \$500! What a great bond to own!

*If you offered Graeme \$10,000 for his \$10,000 bond, what do you think he would say?*

Graeme would say "No way! This bond is going to pay me 20% each year for the next eight years and then repay my \$10,000 at maturity (because all bonds are a loan and the issuer must repay the face value at maturity)".

*If you offered Graeme \$15,000 for his \$10,000 bond, what do you think he would say?*

He may or may not accept the offer, but he will at least start to think about it.

Let's recap what happened here:

- Graeme bought a bond with a 20% coupon rate.
- After the bond was issued, interest rates fell, which means brand new bonds were being issued with much lower coupon rates.
- Graeme's bond continued to pay 20% for the remainder of the bond term because bonds usually have a fixed coupon rate.
- Graeme's bond is very attractive in comparison to brand new bonds being issued today.
- If Graeme were to sell his bond in the marketplace, he would expect to sell his bond at a premium (more than face value).

**Note:** Coupon rate is just a fancy word for interest rate and would have been discussed previously in our textbook summary.

**Excerpt #3:**

***What does it mean when they say a bond is “selling off the stock” and what is a forced conversion clause?***

A convertible bond allows the investor to “convert” the bond into a certain number of common shares. Consider the following example:

Jack bought a \$1,000 face value DEF Company bond that has a 10-year maturity date. The bond has a 5% coupon rate and is convertible into 100 of DEF's common shares at any point during the life of the bond. This feature is very advantageous to Jack.

Suppose DEF's common shares rose to a price of \$30 per share. Jack would be thrilled to be able to hand his \$1,000 bond back to the issuer in exchange common shares that would be worth a total of \$3,000 (100 shares x \$30).

With reference to convertible bonds, there are a couple of terms you should be familiar with. They are 1) **selling off the stock** (or common) and 2) **forced conversion clause**

**Selling off the stock:**

In the above example, DEF's \$1,000 face value bond is convertible into common shares that are worth \$3,000. What do you think Jack would say if he were offered \$1,000 for his bond? Or \$2,000? Or even \$2,500? He would definitely say no! After all, his bond is convertible into shares that are currently worth \$3,000. In this scenario, the DEF bond would trade in the marketplace for at least \$3,000.

If you were asked why this bond was trading at a premium, your explanation would have nothing to do with the coupon rate of the bond -- it would be something like, “*the bond is convertible into shares that are worth \$3,000, so the market price of the bond is based on the value of the shares it is convertible into*”. When this occurs, the bond is said to be “selling off the stock”.



Forced conversion clause:

In holding the convertible DEF bond, Jack really has the best of both worlds.

- He has the safety of a bond (You will learn in the next chapter that bonds are safer than common shares).
- The company must pay him his interest each year. A bond is considered a debt to the issuer. A company not meeting its debt obligations would get into a lot of hot water, much like you would get yourself into trouble if you didn't make your mortgage payments.
- If the common share price increases substantially, the market value of his bond would increase dramatically (selling off the stock).

Because Jack has the best of both worlds he may be tempted to continue to “sit on the fence” forever. While it makes lots of sense to convert right now, he may think, *“I’m going to wait to see what happens. Maybe the common shares will continue to rise, in which case I will definitely convert. On the other hand, maybe the shares will fall in value and I would be glad I didn’t own them”*.

Due to the temptation to “sit on the fence” DEF may have decided to add a “forced conversion clause” when the bond was originally issued. A forced conversion clause may look something like this: *If the DEF common share price hits \$30 and trades at that price for 3 consecutive days, DEF can call (redeem) the bonds at a slight premium to par.*

Could you imagine if Jack’s bond was about to be called (redeemed) at a slight premium, which would be a price of just over \$1,000? Surely, this would cause Jack to convert into the shares that are worth \$3,000 before his bond was called! He’d be foolish not to convert.

While a forced conversion clause is not an advantage to an investor, we have taught it in this section as it is very much a part of the convertibility advantage discussed above.

It's important to note that the DEF isn't truly forcing Jack to convert, as they will call the bond and give him the slight premium if he chooses not to convert (which would be silly), but they are certainly forcing his hand.

*Excerpt #4:*

*How do you calculate Current Yield and Yield to Maturity?*

## **Yields**

There are two bond yield calculations that you should know well for the exam.

*Current Yield (CY)* is calculated as follows:

$$\frac{\text{Annual Income}}{\text{Current Market Price}}$$

*Yield to Maturity (YTM)* is calculated as follows:

$$\frac{\text{Annual Income} +/- \text{Annual Price Change}}{\text{Average of Current Market Price and Maturity Price}}$$

These formulas are very important for the exam. The best way to learn them is to practice using them. In the following pages, we have provided you with worksheets for each formula. We have given you 7 questions to practice with and a detailed answer key!

With these 7 bonds, we have given you every possible variation you could see on the exam. If you master these 7 bond yield calculations, you will get all of the related marks on the exam!

### Current Yield Worksheet

Make several copies of this worksheet. Use them while you are practicing the Current Yield formula.

*Current Yield (CY)* is calculated as follows:

$$\frac{\text{Annual Income}}{\text{Current Market Price}}$$

Step 1: Pretend it's a \$100 face value bond so you are dealing with small numbers.

Step 2: Calculate the interest payment:

Face value X Coupon rate = Annual income

$$\$100 \times \underline{\hspace{2cm}} = \$\underline{\hspace{2cm}}$$

Step 3: Plug your numbers into the formula

$$\text{Annual income of } \$ \underline{\hspace{2cm}} / \text{Current market price of } \$ \underline{\hspace{2cm}} = \text{Current Yield}$$

## Yield to Maturity Worksheet

Make several copies of this worksheet. Use them while you are practicing the Yield to Maturity formula.

**Yield to Maturity (YTM)** is calculated as follows:

$$\frac{\text{Annual Income +/- Annual Price Change}}{\text{Average of Current Market Price and Maturity Price}}$$

To get the yield calculations right, you have to get used to asking the right questions.

Step 1: Pretend it's a \$100 face value bond so you are dealing with small numbers.

Step 2: Calculate the interest payment: Face value X Coupon rate = Annual income

$$\$100 \times \underline{\hspace{2cm}} = \$\underline{\hspace{2cm}}$$

Step 3: Determine if you should you insert a "+" or "-" into the YTM formula.

If the bond is bought at a discount and matures at par, that's a gain. Put a "+".

If the bond is bought at a premium and matures at par, that's a loss. Put a "-".

Step 4: If the bond is extendible or retractable, there are 2 potential maturity dates. Select the appropriate date.

If the bond is trading at a discount (inferior bond), the investor would select the earliest maturity date because he would want to get rid of it ASAP.

If the bond is trading at premium (superior bond), the investor would use the latest maturity date because he would want to hold on to it for as long as possible.

Step 5: Calculate the annual price change, which is the "annual gain" or "annual loss".

I bought the bond for \$            and it matures at \$            (par). This is a            (indicate gain or loss). Take this amount and divide it by the number of years until maturity.

Step 6: Calculate the average of the purchase price and par by adding the numbers together and dividing by 2. Plug this in the bottom of the YTM formula.

Step 7: Plug all the numbers into the formula.

**Current Yield and Yield to Maturity Questions**

Try the following practice questions. Cover the answer columns and calculate the yields. Then, check you answer. Remember to pretend it's a \$100 face value bond. The question becomes much simpler.

Current Yield =

$$\frac{\text{Annual Income}}{\text{Market Price}}$$

Yield to Maturity =

$$\frac{\text{Annual Income} +/- \text{Annual Price Change}}{\text{Average of Market Price and Maturity Price}}$$

**Assume today is July 1, 2000**

BOND	MATURITY DATE	COUPON RATE	MARKET PRICE	FACE VALUE	CURRENT YIELD	YIELD TO MATURITY
ABC	July 1 2001	4%	\$90	\$100	4.44%	14.74%
DEF	July 1 2002	12%	\$112	\$1,000	10.71%	5.67%
JKL	July 1, 2010	7%	\$95	\$47,500	7.37%	7.69%
MNO	July 1, 2015	5%	\$80	\$5,000	6.25%	7.04%
PQR	July 1 2004/2009	10%	\$108	\$12,000	9.26%	8.76%
STU	July 1 2015/2008	9%	\$94	\$9,000	9.57%	10.05%
YZA	July 1 2010/2011	8.00%	\$100	\$20,000	8.00%	8.00%

### Current Yield and Yield to Maturity Answers

Notice that we crossed off the Face Value column. Forget the face value. Always use \$100 when calculating Current Yield and Yield to Maturity as it makes the math so much easier!

<b>BOND</b>	Current Yield $\frac{\text{Annual Income}}{\text{Market Price}}$	Yield to Maturity $\frac{\text{Annual Income} \pm \text{Annual Price Change}}{\text{Average of Market Price and Maturity Price}}$
<b>ABC</b>	$= \frac{\$4}{\$90}$ $= 4.44\%$	$= \frac{\$4 + (\$10 / 1)}{(\$90 + \$100) / 2}$ $= \frac{\$4 + \$10}{\$190 / 2}$ $= \frac{\$14}{\$95}$ $= 14.74\%$
<b>DEF</b>	$= \frac{\$12}{\$112}$ $= 10.71\%$	$= \frac{\$12 - (\$12 / 2)}{(\$112 + \$100) / 2}$ $= \frac{\$12 - \$6}{\$212 / 2}$ $= \frac{\$6}{\$106}$ $= 5.67\%$
<b>JKL</b>	$= \frac{\$7}{\$95}$ $= 7.37\%$	$= \frac{\$7 + (\$5 / 10)}{(\$95 + \$100) / 2}$ $= \frac{\$7 + \$0.5}{\$195 / 2}$ $= \frac{\$7.5}{\$97.5}$ $= 7.69\%$

<p><b>MNO</b></p>	$= \frac{\$5}{\$80}$ $= 6.25\%$	$= \frac{\$5 + (\$20 / 15)}{(\$80 + \$100) / 2}$ $= \frac{\$5 + \$1.33}{\$180 / 2}$ $= \frac{\$6.33}{\$90}$ $= 7.03\%$
<p><b>PQR</b></p>	$= \frac{\$10}{\$108}$ $= 9.26\%$	$= \frac{\$10 - (\$8 / 9)}{(\$108 + \$100) / 2}$ $= \frac{\$10 - \$0.8888}{\$208 / 2}$ $= \frac{\$9.1111}{\$104}$ $= 8.76\%$ <p>Notice that we used the later date (2009) because this is a superior bond (trading at a premium) so we would hold on to it for as long as possible.</p>
<p><b>STU</b></p>	$= \frac{\$ \underline{\hspace{2cm}}}{\underline{\hspace{2cm}}}$ $\frac{\$ \underline{\hspace{2cm}}}{\underline{\hspace{2cm}}}$ $= \underline{\hspace{2cm}}\%$	$= \frac{\$ \underline{\hspace{2cm}} + (\$ \underline{\hspace{2cm}} / \underline{\hspace{2cm}})}{(\$ \underline{\hspace{2cm}} + \$ \underline{\hspace{2cm}}) / 2}$ $= \frac{\$ \underline{\hspace{2cm}} + \$ \underline{\hspace{2cm}}}{\$ \underline{\hspace{2cm}} / 2}$ $= \frac{\$ \underline{\hspace{2cm}}}{\underline{\hspace{2cm}}}$ $\frac{\$ \underline{\hspace{2cm}}}{\underline{\hspace{2cm}}}$ $= \underline{\hspace{2cm}}\%$ <p>Try this one yourself. Which date are you going to use? Remember to ask yourself, "Is this bond superior (above par) or inferior (below par)?" Do you want to hold on to it for as long as possible, or get rid of as quickly as possible?</p>
<p><b>YZA</b></p>	<p><i>Do this one from scratch.</i></p>	

**Excerpt # 5:**  
***Dealing with derivatives (i.e. Options)***

Most students who give up before even writing the actual exam do so when they read the derivatives chapter. The following excerpt will give you a feel for how we simplify even the toughest concepts! Do not be overly concerned about understanding how options truly work. If you wanted to be licensed to sell them, you would have to take another full course on derivatives. For now just focus on memorizing the call / put table. Our exam strategies will teach you how to use the table and get all of those marks!

There are two types of options contracts

- 1) Call options
- 2) Put options

**Call Options**

Keep in mind that an options contract is nothing more than a bet. Each party is on opposite sides of the fence. They believe two completely different things and only one of them will end up being correct. Take a look the following table that summarizes a call option.

**Call Options Table:**

<b><u>Call Holder (aka Buyer of the option)</u></b>	<b><u>Call Writer (aka Seller of the option)</u></b>
<ul style="list-style-type: none"><li>• <b>Option to buy</b> the underlying shares at the exercise price</li><li>• <b>Pays the premium</b></li><li>• <b>Bullish</b> strategy</li></ul>	<ul style="list-style-type: none"><li>• <b>Obligated to sell</b> the underlying shares at the exercise price</li><li>• <b>Receives the premium</b></li><li>• <b>Bearish</b> strategy</li></ul>

Note: aka stands for "also known as"

**Memorizing the left hand side of table:**

- A call option gives the holder the option to buy the underlying shares.  
Memory aid: **Buy** = You are **Call**-ing the shares over to your portfolio.
- You pay a premium for an “option”. The word “option” is a good thing. Don’t you like it when your spouse says, "It’s your option what we do on a Saturday night." Of course, you always pay for the option, by having to cut the lawn.
- You would only want the option to buy something if you thought its value was going to go up (bullish).

**Memorizing the right hand side of table:**

Everything is the exact opposite...

- The opposite of buy is sell
- The opposite of option is obligated
- The opposite of paying a premium is receiving a premium
- The opposite of bullish is bearish

**Put Options Table:**

<u><b>Put Holder (aka Buyer of the option)</b></u>	<u><b>Put Writer (aka seller of the option)</b></u>
<ul style="list-style-type: none"> <li>• <b>Option to sell</b> the underlying shares at the exercise price</li> <li>• <b>Pays the premium</b></li> <li>• <b>Bearish</b> strategy</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Obligated to buy</b> the underlying shares at the exercise price</li> <li>• <b>Receives the premium</b></li> <li>• <b>Bullish</b> strategy</li> </ul>

**Memorizing the left hand side of table:**

- A put option gives the holder the option to sell the underlying shares.  
Memory aid: **Sell** = by **Put**-ing the shares in someone else's hands.
- You pay a premium for an “option”. The word “option” is a good thing.
- You would only want the option to sell something if you thought its value was going to go down (bearish).

**Memorizing the right hand side of table:**

Everything is the exact opposite...

- The opposite of sell is buy
- The opposite of option is obligated
- The opposite of paying a premium is receiving a premium
- The opposite of bearish is bullish

**Using the Call / Put Tables**

Here’s where the rubber hits the road. For the exam, knowing the above tables will be enough for you to get most the option questions on the exam, provided you use SeeWhy Financial Learning’s option question strategies. We can help you get those marks, even if you don’t understand what an option is.

At the end of this chapter, we have a section titled “Enquiring minds want to know”. In that section, we will discuss the rationale behind option contracts; BUT, if your only goal is to pass the exam, you probably don't even need to read it.

**CALL / PUT TABLE**

<p><b><u>Call Holder (aka Buyer of the option)</u></b></p> <ul style="list-style-type: none"> <li>• <b>Option to buy</b> the underlying shares at the exercise price</li> <li>• <b>Pays the premium</b></li> <li>• <b>Bullish</b> strategy</li> </ul>	<p><b><u>Call Writer (aka Seller of the option)</u></b></p> <ul style="list-style-type: none"> <li>• <b>Obligated to sell</b> the underlying shares at the exercise price</li> <li>• <b>Receives the premium</b></li> <li>• <b>Bearish</b> strategy</li> </ul>
<p><b><u>Put Holder (aka Buyer of the option)</u></b></p> <ul style="list-style-type: none"> <li>• <b>Option to sell</b> the underlying shares at the exercise price</li> <li>• <b>Pays the premium</b></li> <li>• <b>Bearish</b> strategy</li> </ul>	<p><b><u>Put Writer (aka seller of the option)</u></b></p> <ul style="list-style-type: none"> <li>• <b>Obligated to buy</b> the underlying shares at the exercise price</li> <li>• <b>Receives the premium</b></li> <li>• <b>Bullish</b> strategy</li> </ul>

**Calls and Puts (Practice Questions)**

Use the Call / Put table to answer the following questions. We will show you how to do it in question #1.

1. Dave believes ABC stock will rise in value. Which of the following options may he be interested in?
  - a. Write a call on ABC.
  - b. Buy a put on ABC.
  - c. Short ABC stock.
  - d. Write a put on ABC.

SeeWhy Financial Learning's suggests the following method for tackling questions like this:

Using the table, re-write the question *and* the answers.

- ~~1. Dave believes ABC stock will rise in value. Which of the following options may he be interested in?~~
  1. *Bullish* on ABC.
  - a. Write a call on ABC.      Bearish
  - b. Buy a put on ABC.      Bearish
  - c. Short ABC stock.      Bearish
  - d. Write a put on ABC.      *Bullish*

Pretty cool, eh? Dave is bullish on ABC. The only bullish strategy is “D”, so “D” is the answer. You can get this mark, even if you have no idea what an option contract is! Now try the next three questions for yourself. Remember to use our call / put table, which you will have to memorize for the exam.

2. Jim believes that DEF will fall in value. What might he do?
  - a. Write a call on DEF.
  - b. Write a put on DEF.
  - c. Buy a call on DEF.
  - d. a or b.



3. Louise believes XYZ will rise in value but that the overall market will decline. Which of the following strategies might she employ?
  - a. Buy a call on XYZ and buy a put on a TSX index fund.
  - b. Buy a put on XYZ and sell a call on a TSX index fund.
  - c. Buy a future on a TSX index fund.
  - d. Sell a call on XYZ.
  
4. Jack thinks ABC will rise in the short term but fall long term. What option strategy should he employ?
  - a. Buy a call.
  - b. Buy a put.
  - c. Write a call.
  - d. Short ABC.

**Calls and Puts (Answers to Practice Questions)**

~~2. Jim believes that DEF will fall in value. What might he do?~~

2. **Bearish** on DEF.
  - a. Write a call on DEF. **Bearish**
  - b. Write a put on DEF. Bullish
  - c. Buy a call on DEF. Bullish
  - d. a or b. Bearish and a Bullish strategy

~~3. Louise believes XYZ will rise in value but that the overall market will decline. Which of the following strategies might she employ?~~

3. **Bullish on XYZ, Bearish on the market**
  - a. Buy a call on XYZ and buy a put on a TSX index fund. **Bullish on XYZ, Bearish on index**
  - b. Buy a put on XYZ and sell a call on a TSX index fund. Bearish on XYZ, Bearish on index
  - c. Buy a call on a TSX index fund. Bullish on TSX
  - d. Sell a call on XYZ. Bearish on XYZ



4. ~~Jack thinks ABC will rise in the short term but fall long term. What option strategy should he employ?~~

4. **Bullish on ABC in the short term**

- |                  |                       |
|------------------|-----------------------|
| a. Buy a call.   | <b><i>Bullish</i></b> |
| b. Buy a put.    | Bearish               |
| c. Write a call. | Bearish               |
| d. Short ABC.    | Bearish               |

**Thank you for your interest in SeeWhy Financial Learning. We sincerely hope that you will allow us to be a part of your upcoming exam success!**

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