

Option Payoffs

Accounting & Finance

The four basic positions, and what each profits from.

Position and profit condition.

Position	Profits when	Maximum loss
Long call	Price rises above strike + premium	The premium paid
Long put	Price falls below strike – premium	The premium paid
Short call	Price stays below strike	Unlimited
Short put	Price stays above strike	Strike less premium

Educational reference on structure, not a recommendation. Selling uncovered calls carries theoretically unlimited loss.