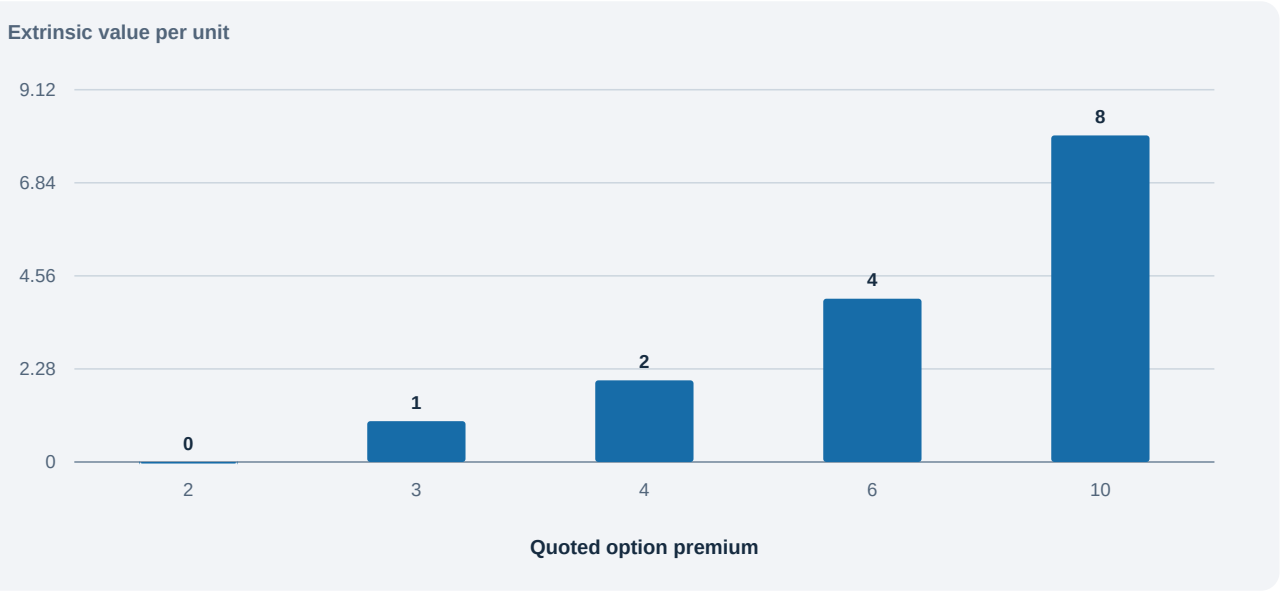
Put premium beyond intrinsic value

Option arithmetic | Original synthetic example | Edition 2026-11-26

A put's extrinsic value is its premium less the positive part of strike minus spot. This decomposition describes the quote and does not explain every driver of its price.

FORMULA Extrinsic value = put premium - max(strike - spot, 0)

SCENARIO 01: Spot 98; strike 100; intrinsic 2



WORKED EXAMPLE

Premium 4 minus intrinsic 2 leaves 2 extrinsic value. Quotes must be synchronized.

COMMON MISTAKE

Comparing total premiums across strikes without separating intrinsic value can confuse moneyness with expensive volatility.

BEFORE YOU USE THE CALCULATION

1. Check put moneyness.
2. Use consistent timestamps.
3. Separate intrinsic and extrinsic components.

COMPARE TWO MORE INPUT SETS

Scenario 05: Spot 134; strike 140; intrinsic 6. Premium 8 minus intrinsic 6 leaves 2 extrinsic value. Quotes must be synchronized.

Scenario 10: Spot 179; strike 190; intrinsic 11. Premium 13 minus intrinsic 11 leaves 2 extrinsic value. Quotes must be synchronized.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.