

# [Finance 3050 homework #10](https://assignbuster.com/finance-3050-homework-10/)

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## Homework #10, 3050

Student: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. The invoice price of a bond is the \_\_\_\_\_\_. A. stated or flat price in a quote sheet plus accrued interest B. stated or flat price in a quote sheet minus accrued interest C. bid price D. average of the bid and ask price

2. A mortgage bond is \_\_\_\_\_\_\_. A. secured by other securities held by the firm B. secured by equipment owned by the firm C. secured by property owned by the firm D. unsecured

3. You buy a TIPS at issue at par for $1, 000. The bond has a 3% coupon. Inflation turns out to be 2%, 3% and 4% over the next three years. The total annual coupon income you will receive in year three is \_\_\_\_\_\_\_\_\_. A. $30. 00 B. $33. 00 C. $32. 78 D. $30. 90

4. A callable bond pays annual interest of $60, has a par value of $1, 000, matures in 20 years but is callable in 10 years at a price of $1, 100, and has a value today of $1055. 84. The yield to call on this bond is \_\_\_\_\_\_\_\_\_. A. 6. 00% B. 6. 58% C. 7. 20% D. 8. 00%

5. A coupon bond which pays interest semi-annually has a par value of $1, 000, matures in 8 years, and has a yield to maturity of 6%.

If the coupon rate is 7%, the intrinsic value of the bond today will be \_\_\_\_\_\_\_\_\_\_ (to the nearest dollar). A. $1, 000 B. $1, 063 C. $1, 081 D. $1, 100

6. A coupon bond pays semi-annual interest is reported as having an ask price of 117% of its $1, 000 par value in the Wall Street Journal. If the last interest payment was made 2 months ago and the coupon rate is 6%, the invoice price of the bond will be \_\_\_\_\_\_\_\_\_. A. $1, 140 B. $1, 170 C. $1, 180 D. $1, 200

7. The \_\_\_\_\_\_\_\_\_\_ of a bond is computed as the ratio of coupon payments to market price. A. nominal yield B. urrent yield C. yield to maturity D. yield to call

8. A 6% coupon U. S. treasury note pays interest on May 31 and November 30 and is traded for settlement on August 10. The accrued interest on $100, 000 face amount of this note is \_\_\_\_\_\_\_\_\_. A. $581. 97 B. $1, 163. 93 C. $2, 327. 87 D. $3, 000. 00

### homework #10, 3050 Key

1. The invoice price of a bond is the \_\_\_\_\_\_. A. stated or flat price in a quote sheet plus accrued interest B. stated or flat price in a quote sheet minus accrued interest C. bid price D. average of the bid and ask price Bodie – Chapter 10 #1 Difficulty: Medium

2. A mortgage bond is \_\_\_\_\_\_\_. A. secured by other securities held by the firm B. secured by equipment owned by the firm C. secured by property owned by the firm D. unsecured Bodie – Chapter 10 #4 Difficulty: Easy

3. You buy a TIPS at issue at par for $1, 000. The bond has a 3% coupon. Inflation turns out to be 2%, 3% and 4% over the next three years. The total annual coupon income you will receive in year three is \_\_\_\_\_\_\_\_\_. A. $30. 00 B. $33. 00 C. $32. 78 D. $30. 90 ($30)(1. 02)(1. 03)(1. 04) = $32. 78 Bodie – Chapter 10 #20 Difficulty: Medium

4. A callable bond pays annual interest of $60, has a par value of $1, 000, matures in 20 years but is callable in 10 years at a price of $1, 100, and has a value today of $1055. 84. The yield to call on this bond is \_\_\_\_\_\_\_\_\_. A. 6. 00% B. 6. 58% C. 7. 20% D. 8. 00% 1055. 84 = 60 Bodie – Chapter 10 #41 Difficulty: Medium

5. A coupon bond which pays interest semi-annually has a par value of $1, 000, matures in 8 years, and has a yield to maturity of 6%. If the coupon rate is 7%, the intrinsic value of the bond today will be \_\_\_\_\_\_\_\_\_\_ (to the nearest dollar). A. $1, 000 B. $1, 063 C. $1, 081 D. $1, 100 = 1, 063 Bodie – Chapter 10 #42 Difficulty: Medium

6. A coupon bond pays semi-annual interest is reported as having an ask price of 117% of its $1, 000 par value in the Wall Street Journal. If the last interest payment was made 2 months ago and the coupon rate is 6%, the invoice price of the bond will be \_\_\_\_\_\_\_\_\_. A. $1, 140 B. $1, 170 C. $1, 180 D. $1, 200 Invoice Price = Bodie – Chapter 10 #44 Difficulty: Medium

7. The \_\_\_\_\_\_\_\_\_\_ of a bond is computed as the ratio of coupon payments to market price. A. nominal yield B. current yield C. yield to maturity D. yield to call Bodie – Chapter 10 #53 Difficulty: Easy 8. A 6% coupon U. S. treasury note pays interest on May 31 and November 30 and is traded for settlement on August 10. The accrued interest on $100, 000 face amount of this note is \_\_\_\_\_\_\_\_\_. A. $581. 97 B. $1, 163. 93 C. $2, 327. 87 D. $3, 000. 00 Bodie – Chapter 10 #68 Difficulty: Medium

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