

Finance 3050 homework #10



**ASSIGN
BUSTER**

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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. current 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

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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 (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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10| 8| Difficulty: Easy| 2| Difficulty: Medium| 6|