

- 1) A convertible bond has a \$1,000 face value (a.k.a. par value) and a conversion ratio of 50 shares of common stock for each convertible bond. What is the conversion price?
- 2) A convertible bond has a \$1,000 face value and a conversion price of \$25 per share of common stock. What is the conversion ratio?
- 3) A convertible bond has a \$1,000 face value, is selling for \$1,300, and has a conversion ratio of 40 shares of common stock for each convertible bond. If the stock price is currently selling at \$30, what is the conversion value? What is the conversion premium?

conversion price = bond par value / conversion ratio

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conversion value = price per share of stock * conversion ratio

conversion premium = market price of convertible security - conversion value

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