BUS-123	Spring 2013

Convertible Securities

Name: _		
Chap 18	Handout	

Instr: F. Paiano

A convertible bond has a \$1,000 face value (a.k.a. par value) and a conversion ratio of 50 shares of common 1) stock for each convertible bond. What is the conversion price?

- A convertible bond has a \$1,000 face value and a conversion price of \$25 per share of common stock. What 2) is the conversion ratio?
- A convertible bond has a \$1,000 face value, is selling for \$1,300, and has a conversion ratio of 40 shares 3) 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 conversion ratio = bond par value / conversion price conversion value = price per share of stock \* conversion ratio conversion premium = market price of convertible security - conversion value

BUS-123 Spring 2013 Instr: F. Paiano

Convertible Securities

Name:

Chap 18 Handout

- 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?
- A convertible bond has a \$1,000 face value, is selling for \$1,300, and has a conversion ratio of 40 shares 3) 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 conversion ratio = bond par value / conversion price conversion value = price per share of stock \* conversion ratio conversion premium = market price of convertible security - conversion value