BUS-123 Spring 2014
Instr: F. Paiano

Bond Prices and Yields
Worksheet \#1

Name: $\qquad$
Chap 10 Worksheet

1) A bond that pays $9 \%$ is currently priced at $\$ 1,200$. What is the nominal interest rate? What is the current interest rate?
2) A $9 \%, 20$-year bond has a par value of $\$ 1,000$ and a call price of $\$ 1,050$. It is callable in 5 years. The bond is currently selling for $\$ 1,110$. Calculate the current yield, yield-to-maturity, and yield-to-call of this bond.
3) A married couple from California is in the $35 \%$ Federal tax bracket and the $11 \%$ California tax bracket. They are considering a 5\% Arizona municipal bond (Federal tax-free), a $41 / 2 \%$ California bond (double taxfree) or a $7 \%$ corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?
4) Using annual compounding, find the prices for the following bonds:
a) $9 \%, 10$-year bond priced to yield $7 \%$
b) $5 \%, 20$-year bond priced to yield $8 \%$
