BUS-123 Spring 2015 | Bond Prices and Yields | Name: ______________________
Instr: F. Paiano | Assignment | Due: TueThu April 30th; Online May 2nd

1. A 8%, 20-year bond is currently selling for $1,125. What is the current yield? What is the Yield-to-Maturity (YTM)?

2. The bond in problem 1 is callable in 5 years at $1,050. What is the Yield-to-Call (YTC)?

3. A 10-year bond is currently selling for $925. The nominal rate is 9%. What is its current yield and YTM?

4) If the bond in problem 3 is callable in 5 years at $1,030, what is the YTC?

5) A married couple from California is in the 31% Federal tax bracket and the 8% California tax bracket. They are considering a 5¼% Hawaii municipal bond (Federal tax-free), a 5% California bond (double tax-free) or a 7¾% corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?

6) A California investor is in the 35% Federal tax bracket and the 9% California tax bracket. He has the choice of a 5% Ohio municipal bond (Federal tax-free), a 4¼% California bond (double tax-free) or a 7½% corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?

7) Using annual compounding, what would you predict the price would be for a 20-year, 7% bond priced to yield 5%?

8) Using annual compounding, what would you predict the price would be for a 10-year, 6% bond priced to yield 9%?

9) A 10-year zero coupon bond is yielding 5%. Using annual compounding, what would you predict the price would be for the bond? (Hint: What is different about a zero-coupon bond?)

10) A 20-year zero coupon bond is currently priced at $215. What is the bond's annualized yield? (Hint: Think backwards)