BUS-123 Spring 2015 | Bond Prices and Yields | Name: _____
Instr: F. Paiano | Worksheet #2 | Chap 10 Worksheet

1) A 7%, 30-year bond has a par value of $1,000 and a call price of $1,030. It is callable in 10 years. The bond is currently selling for $1,060. Calculate the current yield, yield-to-maturity, and yield-to-call of this bond.

2) A married couple from California is in the 35% Federal tax bracket and the 11% California tax bracket. They are considering a 6% Arizona municipal bond (Federal tax-free), a 5½% California bond (double tax-free) or an 8% corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?

3) Using annual compounding, find the prices for the following bonds:
   a) 8%, 20-year bond priced to yield 5%
   b) 6%, 10-year bond priced to yield 9%