BUS-123 Spring 2013 | Bond Prices and Yields | Name: ________________
Instr: F. Paiano | Worksheet #1 | 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 4½% California bond (double tax-free) 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%