

Name :

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Question 1

A 1000 par value bond redeemable in 20 years at par with 6% annual coupons is purchased to produce an annual yield of 5%. The purchaser values the bond. Calculate the amortized value of the bond at the end of the fifth year.

Question 2

A fifteen – year \$1000 bond with quarterly coupons of \$25 is redeemable for \$1200. The bond is priced to yield 8% convertible quarterly. Determine the amount of the premium or discount.