

1. A bond has a coupon rate of 4% and a yield-to-maturity of 6%. How does the bond's price compare to its par value?

- a. Below par — the deficient coupon means the bond trades at a discount
- b. Above par — coupon rate below YTM means the bond trades at a premium
- c. At par — price equals par whenever the coupon rate is below 5%

2. Under which three conditions does an investor's actual return equal the bond's yield-to-maturity at purchase?

- a. No default, sold before maturity at a premium, coupons reinvested at the coupon rate
- b. Bond purchased at par, held to maturity, coupons reinvested at the current yield
- c. No default, held to maturity, all coupons reinvested at the yield-to-maturity

3. A 4-year bond pays a 6% coupon semiannually with par value USD 100. The market discount rate is 4%. What is the bond's price?

- a. USD 96.41
- b. USD 100.00
- c. USD 107.33

4. A 3-year bond pays a 3% coupon semiannually with par value USD 100. It is priced at USD 94.49. What is the yield-to-maturity?

- a. 3.00%
- b. 5.00%
- c. 6.00%

5. A 10-year bond pays a 5% coupon semiannually with par value USD 1,000. The market discount rate is 3%. What is the bond's price?

- a. USD 1,171.69
- b. USD 1,000.00
- c. USD 857.88

6. Which of the following bonds is most likely to have a negative yield-to-maturity?

- a. A newly issued bond with a 4% coupon trading at par value
- b. A bond issued at a high yield in the past whose price has appreciated significantly since issuance
- c. A bond trading at a discount to par with a positive coupon rate