1. An investor buys a bond at a discount and judges it solely by its 5% current yield. That figure overlooks that the investor will also:

   a. Receive a coupon smaller than the current yield
   b. Realize a gain when the discount bond is redeemed at par
   c. Owe a premium that reduces the return at maturity

2. A bond with a 5% annual coupon trades at a flat price of 96. Its current yield is closest to:

   a. 5.00%
   b. 4.80%
   c. 5.21%

3. Several of a bond's coupon dates fall on Saturdays, so those payments are received the following Monday. Its true yield compared with its street convention yield is:

   a. Slightly lower, by no more than a basis point or two
   b. Exactly equal, since the amounts are unchanged
   c. Slightly higher, since payment is certain

4. A Halden corporate bond yields 3.6% on a 30/360 day count. Restated as a government equivalent yield on an actual/actual basis, it is closest to:

   a. 3.60%
   b. 3.65%
   c. 3.55%

5. An analyst wants a corporate bond's spread over a government bond whose yield uses an actual/actual day count. If the analyst subtracts without restating the corporate bond's 30/360 yield, the spread will:

   a. Mix two day-count bases and misstate the true spread
   b. Understate only the coupon difference between the bonds
   c. Be correct, since day counts do not affect yields

6. A callable bond's yield-to-first call is its lowest yield and its yield-to-maturity its highest. For the most conservative return, an investor should assume the:

   a. Average of the two
   b. Yield-to-maturity
   c. Yield-to-first call

7. A Brookvale bond with a 5% semiannual coupon trades at 97 and is first callable in three years at 102. Its yield-to-first call is closest to:

   a. 5.15%
   b. 6.11%
   c. 6.73%

8. An analyst computes a callable bond's yields as: first call 4.90%, second call 4.65%, third call 4.80%, and yield-to-maturity 5.05%. Its yield-to-worst is:

a. 5.05%
b. 4.65%
c. 4.90%

9. An option pricing model values a Marlowe bond's embedded call at 3 per 100 of par. Relative to an identical option-free bond priced at 102, the callable bond should trade at:

a. 102
b. 99
c. 105

10. The Aldric bond has a 4% coupon and trades at 80; the Corveth bond has a 3% coupon and trades at 120. The Aldric bond's current yield exceeds the Corveth bond's by closest to:

a. 250 basis points
b. 100 basis points
c. 200 basis points

11. A Denby corporate bond yields 5% on a 30/360 basis; a comparable government bond yields 3% on an actual/actual basis. Restated for day count, the corporate bond's spread over the government bond is closest to:

a. 207 basis points
b. 203 basis points
c. 200 basis points