

1. A Marisol bond yields 4% compounded quarterly. Expressed on a semiannual bond basis, its yield is closest to:

- a. 4.02%
- b. 4.06%
- c. 4.00%

2. A Kelbrook bond yields 4% on a semiannual bond basis. Its effective annual rate is closest to:

- a. 4.04%
- b. 2.00%
- c. 4.00%

3. Converting a bond's yield from a semiannual bond basis to an effective annual rate produces a yield that is:

- a. Higher, since fewer compounding periods require a higher rate
- b. Unchanged, since the total return is the same
- c. Lower, since fewer compounding periods require a lower rate

4. A bond has an effective annual rate of 6%. On a semiannual bond basis, its annual yield is closest to:

- a. 2.96%
- b. 6.00%
- c. 5.91%

5. A Farlowe bond yields 3.6% on a semiannual bond basis. Converted to monthly compounding, its annual yield is closest to:

- a. 3.60%
- b. 3.57%
- c. 3.63%

6. A Harnley bond yields 1.8% per semiannual period. Its effective annual rate is closest to:

- a. 3.63%
- b. 3.60%
- c. 1.80%

7. A Vestly bond has a negative yield-to-maturity on an annual basis. Converted to monthly compounding, its yield becomes:

- a. Less negative (higher)
- b. Unchanged
- c. More negative (lower)

8. A yield of 2.4% compounded monthly, expressed as an effective annual rate, is closest to:

- a. 2.40%
- b. 2.43%
- c. 0.20%

9. The periodicity used to state a zero-coupon bond's yield is:

- a. Required to be a semiannual basis of two
- b. Fixed at one and cannot be converted
- c. Arbitrary, since there are no coupons, and convertible to another periodicity

10. A Marren bond yields 5% on a semiannual bond basis. Converted to quarterly compounding, its annual yield is closest to:

- a. 5.06%
- b. 4.97%
- c. 5.00%