Chapter 6 - Homework Questions

1. Interpreting Bond Yields. Is the yield to maturity on a bond the same thing as the required return? Is YTM the same thing as the coupon rate? Suppose today a 10 percent coupon bond sells at par. Two years from now, the required return on the same bond is 8 percent. What is the coupon rate on the bond now? The YTM?

3. Bond Prices. Lycan, Inc., has 7 percent coupon bonds on the market that have 9 years left to maturity. The bonds make annual payments and have a par value of $1,000. If the YTM on these bonds is 8.4 percent, what is the current bond price?

6. Bond Prices. Harrison Co. issued 15-year bonds one year ago at a coupon rate of 6.1 percent. The bonds make semiannual payments. If the YTM on these bonds is 5.3 percent, what is the current dollar price assuming a $1,000 par value?

7. Bond Yields. Stein Co. issued 15-year bonds two years ago at a coupon rate of 5.4 percent. The bonds make semiannual payments. If these bonds currently sell for 94 percent of par value, what is the YTM?

9. Calculating Real Rates of Return. If Treasury bills are currently paying 4.5 percent and the inflation rate is 1.6 percent, what is the approximate real rate of interest? The exact real rate?