PROBLEMS

connect Selected problems are available with Connect. Please see the preface for more information.

Basic Problems

For the first 20 bond problems, assume interest payments are on an annual basis.

1. The Lone Star Company has $1,000 par value bonds outstanding at 10 percent interest. The bonds will mature in 20 years. Compute the current price of the bonds if the present yield to maturity is **Bond value** *(LO10-3)*
   - *a.* 6 percent.
   - *b.* 9 percent.
   - *c.* 13 percent.
2. Midland Oil has $1,000 par value bonds outstanding at 8 percent interest. The bonds will mature in 25 years. Compute the current price of the bonds if the present yield to maturity is **Bond value** *(LO10-3)*
   - *a.* 7 percent.
   - *b.* 10 percent.
   - *c.* 13 percent.
3. Exodus Limousine Company has $1,000 par value bonds outstanding at 10 percent interest. The bonds will mature in 50 years. Compute the current price of the bonds if the percent yield to maturity is **Bond value** *(LO10-3)*
   - *a.* 5 percent.
   - *b.* 15 percent.
4. Barry's Steroids Company has $1,000 par value bonds outstanding at 16 percent interest. The bonds will mature in 40 years. If the percent yield to maturity is 13 percent, what percent of the total bond value does the repayment of principal represent? **Bond value** *(LO10-3)*

Bond value