



- 5-1** Yesterday Travis sold 1,000 shares of stock that he owned for \$29 per share. Travis purchased the stock one year ago for \$28 per share. During the year, Travis received a quarterly dividend equal to \$0.10 per share. What return (yield) did Travis earn during the time he owned the stock?
- 5-2** One year ago, Richard purchased 40 shares of common stock for \$10 per share. During the year, he received one dividend payment in the amount of \$0.50 per share. If the stock currently is worth \$9 per share, what yield did Richard earn on his investment for the year?
- 5-3** One year ago, Regina purchased \$1,050 worth of Elite Electrician's common stock for \$42 per share. During the year, Regina received two dividend payments, each equal to \$0.05 per share. The current market value of the stock is \$44 per share. What yield did Regina earn on her investment during the year?
- 5-4** Wilma just sold all the shares of International Inns stock that she owned for \$156 per share. She purchased the stock one year ago for \$150 per share. If Wilma did not receive any dividend payments during the year, what yield did she earn on her investment?
- 5-5** Yesterday Sandi sold 1,000 shares of stock that she owned for \$45 per share.

maturities equal to one year or greater.
the MRP?

- 5-18** Currently, a six-month Treasury bill is yielding 3.2 percent. Company F's three-year bond has a yield equal to 5.0 percent, and its seven-year bond has a yield equal to 5.8 percent. Although none of the bonds has a liquidity premium, any bond with a maturity equal to one year or longer has a maturity risk premium (MRP). Except for their terms to maturity, the characteristics of the bonds are the same. Compute the (a) *annual* MRP and (b) default risk premium (DRP) associated with the bonds.
- 5-19** Suppose economists expect that the nominal risk-free rate of return, r_{RF} , which is also the rate on a one-year Treasury note, will be 3.2 percent long into the future. You are evaluating two corporate bonds that are identical except for their terms to maturity. The bonds have the same default risk, and neither bond has a liquidity premium. Bond T matures in five years and has a yield equal to 5.3 percent, whereas Bond Q matures in eight years and has a yield equal to 5.9 percent. Compute (a) the annual maturity risk premium (MRP) and (b) the bond's default risk premium (DRP).
- 5-20** Economists expect that the nominal risk-free rate of return, r_{RF} , on one-year Treasury bonds will be 2.4 percent long into the future. General Machinery's (GM) one-year bond has a yield equal to 4.8 percent. The yield on the GM bond includes a liquidity premium equal to 0.3 percent. Suppose the maturity risk premium (MRP) for all bonds with maturities *greater* than one year is 0.15 percent per year. Based on this information, what should be the yield on GM's five-year bonds?

a rate of return equal to 12 percent on similar bonds and interest is paid *semiannually*, what should be the market price of Buner's bond?

6-9 The Desreumaux Company has two bonds outstanding. Both bonds pay \$100 *annual* interest plus \$1,000 at maturity. Bond L matures in 15 years, whereas Bond S matures in one year. One interest payment remains on Bond S. What will be the values of these bonds when the going rate of interest is (a) 5 percent and (b) 7 percent?

6-10 Filkins Farm Equipment's five-year zero coupon bond is currently selling for \$621. The bond's maturity value is \$1,000 bond. What is the bond's yield to maturity (YTM)?

6-11 Severn Company's bond has four years remaining to maturity. Interest is paid *semiannually*, the bonds have a \$1,000 par value, and the coupon interest rate is 9 percent. Compute the yield to maturity for the bonds if the current market price is (a) \$851 and (b) \$1,105.

6-12 Décor Interiors has an outstanding bond with a

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