**Nithin Das, CWID: 10422784, Date: 09/18/19 Assignment W&A 4th Edition, Ch 2, Q 32, Page 64**

I pledge on my honor that I have not given or received any unauthorized assistance on this

assignment/examination. I further pledge that I have not copied any material from a book, article,

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Signature: NITHIN DAS

Date: 09/18/2019

**Management Overview**

* **Problem Statement**

To find the yield of the bond so that the Net Present Value (with discount rate matching the yield rate of interest) of the bond equals to the bond’s present selling price

* **Data Sources**

The data points for the analysis are yearly cashflows of the bond for 6 years and bond’s current selling price

* **Model Approach**

Net present Value is calculated using a series of cashflows and discount rate.

The built-in function for NPV in excel is **NPV(rate, series of cashflows).**

Assume we set the yield / discount rate for NPV as 2% and calculate the NPV using above formula.

The series of cashflows will be the yearly amounts from the bond.

NPV =$1448.11

Now we can use Goal Seek functionality to set the Net Present value as bond’s present price i.e. $1040

Setting the ‘Changing Cell’ to ‘Yield’, the tool returns 9.11% as the yield.

* **Solution & Sensitivity Analysis**

The yield for the bond is 9.11%