

Given

3yr \$1000 7%
\$1050 nominal rate 6%

Price

$$P = B_0 = 35 a_{\overline{6}|0.03} + 1050 v_{0.03}^6$$

$$P = 1068.96017$$

$$N \cdot m = n$$

$$3 \cdot 2 = 6 \text{ coupons}$$

$$F \left(\frac{\infty}{m} \right)$$

$$1000 \left(\frac{0.07}{2} \right) = 35$$

nominal rate: 6%

$$j = \frac{6\%}{2} = 3\%$$

At time=1

$$I_1 = (.03)(1068.96017) = 32.0688$$

$$P_1 = 35 - I_1 = 2.9312$$

$$B_1 = 1068.96017 - P_1 = 1066.02898$$

time	payment	$I_t = iB_{t-1}$ interest(I_t)	$P_t = 35 - I_t$ Principal(P_t)	$B_t = B_{t-1} - P_t$ Book Value(B_t)
0				1068.96017
1	35	32.0688	2.9312	1066.02898
2	35	31.9809	3.01913	1063.00984
3	35	31.8903	3.1097	1059.90014
4	35	31.7970	3.202996	1056.69714
5	35	31.7009	3.2991	1053.39806
6	35	31.6019	3.39806	1050