1. Matrix pricing can be used to estimate which of the following when underwrite new corporate bonds:

A. Required yield spread over the benchmark rate.

B. Market discount rate of other comparable corporate bonds.

C. Yield-to-maturity on a government bond having a similar time-to-maturity.

2. Which of the following is most likely a limitation of the yield to maturity measure?

A. It does not consider the capital gain or loss the investor will realize by holding the bond to maturity.

B. It assumes coupon payments can be invested at the yield to maturity.

C. It does not reflect the timing of the cash flows.

3. Assume a $1,000,000 par value, semiannual coupon U.S. Treasury note with two years to maturity and a coupon rate of 10 percent. Using the following Treasury spot rates and ignoring accrued interest and transactions costs, the arbitrage-free value of the Treasury note is closest to:

Maturity	Spot Rate (%)
Six months	6.00
Twelve months	7.50
Eighteen months	9.00
Twenty-four months	10.00

A. $846,210.

B. $1,000,000.

C. $1,002,648.

4. A three-year spot rate of 6% is most likely the:

A. Coupon rate in Year 3 on a coupon-paying bond maturing at the end of Year 6.

B. Yield to maturity on a zero-coupon bond maturing at the end of Year 3.

C. Yield to maturity on a coupon-paying bond maturing at the end of Year 3.

5. An investor purchases a 5% coupon bond maturing in 15 years for par value. Immediately after purchase, the yield required by the market increases. The investor would then most likely have to sell the bond at:

A. a premium.

B. a discount.

C. par.