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1. The following table provides a history of a fixed-income security's coupon rate and the risk-free rate over a five-year period.

Year	Risk-Free Rate	Coupon Rate
1	3.00%	6.00%
2	3.50%	5.00%
3	4.25%	3.50%
4	3.70%	4.60%
5	3.25%	5.50%

The security is most likely a(n):

- A. inverse floater.
 - B. deferred coupon bond.
 - C. step-up note.
2. The type of residential mortgage *least likely* to contain a “balloon” payment is a(n):
- A. interest-only mortgage.
 - B. fully amortizing mortgage.
 - C. partially amortizing mortgage.
3. Which of the following is an example of a domestic bond?
- A. A bond is issued by LG Group from South Korea, denominated in British pounds, and sold in the United Kingdom
 - B. A bond is issued by the U.K. Debt Management Office, denominated in British pounds, and sold in the United Kingdom
 - C. A bond is issued by Wal-Mart from the United States, denominated in U.S. dollars, and sold in various countries in North America, Europe, the Middle East, and Asia Pacific
4. Which of the following is least likely to be a negative covenant associated with a coupon-paying corporate bond issue?

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- A. A requirement to pay withholding taxes to foreign governments in a timely manner
 - B. A prohibition from investing in long-term projects in emerging market countries
 - C. A requirement to hedge at least 50% of the firm's revenues generated from foreign sales
5. Which of the following bonds is most likely to trade at a lower price relative to an otherwise identical option-free bond?
- A. Convertible bond
 - B. Callable bond
 - C. Puttable bond