

Bond Case Study

Hawkeye Fabrication wants to expand and build two more fabrication shops in Iowa. They were contemplating borrowing money from the bank but did not want to leverage their organization. Instead, they decided to issue bonds to raise the \$14,000,000 capital they need.

They decide to issue bonds with a "Face Value" of \$10,000.

The bond has a "coupon rate" of 4.5%

The bond matures 7 years from today.

Questions

- 1) How many bonds will they need to sell to make the capital they need? 1,400 bonds
- 2) Hawkeye Fabrication will end up paying each bond holder \$450.00 per year for 7 years.
- 3) The total interest received by a bond holder when the bond matures will be \$3,150.
- 4) Not including the interest from above, when the bond matures, each bond holder will receive \$10,000.00