

# Bond valuation questions and answers

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**How do you calculate bond valuation?** The bond valuation formula can be represented as:  $\text{Price} = \left( \text{Coupon} \times \frac{1 - (1 + r)^{-n}}{r} \right) + \frac{\text{Par Value}}{(1 + r)^n}$ . The bond value formula can be broken into two parts for better understanding. The first part is the present value of the coupons, and the second part is the discounted value of the par value.

**What are the 4 methods of bond valuation?**

**What are the 3 ways a bond is valued?** The price of a bond is determined by discounting the expected cash flows to the present using a discount rate. The three primary influences on bond pricing on the open market are supply and demand, term to maturity, and credit quality.

**What is a 1000 par value bond with a coupon rate of 12?** Expert-Verified Answer  
The yield to maturity for a \$1,000 par value bond with a 12% coupon rate, currently selling for \$1,529.70 and maturing in 20 years, is approximately 6%. This is determined by finding the discount rate (YTM) that brings the present value of the bond's future payments equal to its current price.

**What is the NPV of a bond?** The idea behind NPV is to project all of the future cash inflows and outflows associated with an investment, discount all those future cash flows to the present day, and then add them together. The resulting number after adding all the positive and negative cash flows together is the investment's NPV.

**How do you calculate YTM in bond valuation?** The yield to maturity (YTM) is the expected annual rate of return earned on a bond, assuming the debt security is held until maturity. The yield to maturity (YTM) is calculated by the following formula:  $[\text{Annual Coupon} + (\text{FV} - \text{PV}) \div \text{Number of Compounding Periods}] \div [(\text{FV} + \text{PV}) \div 2]$ .

**What is the DCF of a bond valuation?** Discounted cash flow (DCF) is a valuation method that estimates the value of an investment using its expected future cash flows. Analysts use DCF to determine the value of an investment today, based on projections of how much money that investment will generate in the future.

**How to calculate bond yield?** Also referred to as a bond's coupon rate, the nominal yield is the annual income divided by the bond's face value. For example, a bond with a \$1,000 face value that pays \$50 annually has a nominal yield of 5% ( $50 \div 1,000 = 0.05$ ).

**What are the factors that affect bond value?** When market interest rates move up, the discount rate of a bond rises, causing the value of the bond to fall as the cash flows are discounted at a higher discount rate. Conversely, a bond's value rises when market interest rates decline as the corresponding cash flows are discounted at a lower discount rate.

**How to tell how much a bond is worth?**

**What is the formula for valuation rate?** Valuation Percentage = [Valuation (Historical Mult.) - Current Stock Price] / Valuation (Historical Mult.)

**What is the formula for bond futures valuation?** The price of bond futures can be calculated on the expiry date as: Price = (bond futures price x conversion factor) + accrued interest.

**What is the formula for bond valuation duration?** The duration formula is a measure of a bond's sensitivity to changes in the interest rate, and it is calculated by dividing the sum product of discounted future cash inflow of the bond and a corresponding number of years by a sum of the discounted future cash inflow.

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