3.

Westco Company issued 13-year bonds a year ago at a coupon rate of 7.3 percent. The bonds make semiannual payments and have a par value of $1,000. If the YTM on these bonds is 5.6 percent, what is the current bond price in dollars? **(Do not round intermediate calculations and round your answer to 2 decimal places, e.g., 32.16.)**

Current bond price	

References

Worksheet	Learning Objective: 07-02 Explain bond values and yields and why they fluctuate.
Difficulty: 1 Basic	Section: 7.1 Bonds and Bond Valuation

Current bond price	$ 1,147.10+/-0.1%

Explanation:

Note: Intermediate answers are shown below as rounded, but the full answer was used to complete the calculation.

To find the price of this bond, we need to realize that the maturity of the bond is 12 years. The bond was issued 1 year ago, with 13 years to maturity, so there are 12 years left on the bond. Also, the coupons are semiannual, so we need to use the semiannual interest rate and the number of semiannual periods. The price of the bond is:

$P = \$36.50(PVIFA_{2.80\%,24}) + \$1,000(PVIF_{2.80\%,24})$

$P = \$1,147.10$

Calculator Solution:

Enter	24	5.6%/2		±$73/2	±$1,000
	N	I/Y	PV	PMT	FV
Solve for			$1,147.10		