1. Award: 0 out of 10.00 points

Even though most corporate bonds in the United States make coupon payments semiannually, bonds issued elsewhere often have annual coupon payments. Suppose a German company issues a bond with a par value of €1,000, 10 years to maturity, and a coupon rate of 6 percent paid annually. If the yield to maturity is 7.1 percent, what is the current price of the bond? **(Do not round intermediate calculations and round your answer to 2 decimal places, e.g., 32.16.)**

Current 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

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Current price	€ 923.10 +/-1%

Explanation:

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

The price of any bond is the PV of the coupon payments, plus the PV of the par value. Notice this problem assumes an annual coupon. The price of the bond will be:

$P = €60\{[1 - 1/(1 + .071)^{10}]/.071\} + €1,000[1/(1 + .071)^{10}]$

P = €923.10

Calculator Solution:

Enter	10	7.1%		±€60	±€1,000
	N	I/Y	PV	PMT	FV
Solve for			€923.10		