

Score: 0/100 Points 0 %

Yan Yan Corporation has a \$4,000 par value bond outstanding with a coupon rate of 4.6 percent paid semiannually and 20 years to maturity. The yield to maturity on this bond is 2.1 percent. What is the dollar price of the bond? **(Do not round intermediate calculations and round your answer to 2 decimal places, e.g., 32.16.)**

Bond price	
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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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Bond price	\$ 5,626.25 \pm 0.1%
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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 find the present value of the bond's cash flows. So, the price of the bond is:

$$P = \$92(\text{PVIFA}_{1.05\%,40}) + \$4,000(\text{PVIF}_{1.05\%,40})$$
$$P = \$5,626.25$$

Calculator Solution:

Enter	20 × 2		2.1%/2				±\$92		±\$4,000	
		N		I/Y		PV		PMT		FV
Solve for					\$5,626.25					