

Quiz 2

- Due Jan 17 at 11:59pm
- Points 15
- Questions 3
- Available Jan 15 at 3:30pm - Jan 17 at 11:59pm
- Time Limit 20 Minutes

Instructions

This quiz is based on bond basics, pricing using yield curve, law of one price..

This quiz is no longer available as the course has been concluded.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	11 minutes	15 out of 15

Score for this quiz: 15 out of 15

Submitted Jan 15 at 7:03pm

This attempt took 11 minutes.

Correct answer



Question 1

5 / 5 pts

- Government wants to raise money for School projects by issuing bond of Face value \$200 that pays a coupon on 6% per year annually with maturity of 4 years. The treasury yield curve is given as follows:

What is the price of such a bond issue using the yield curve below

Treasury Yield Curve				
Time(Yrs)	1	2	3	4
Rate	0.023	0.026	0.033	0.035

- ☒ \$218.76
- ☐ \$210.86
- ☐ \$192.12
- ☐ \$196.52

Correct answer



Question 2

5 / 5 pts

- Which is a better investment given all else is equal?
- **Bond A:** Face value = \$100, Annual coupon payment = \$11, Maturity = 7 years, Price = \$136
- **Bond B:** Face value = \$100, Annual coupon payment = \$7, Maturity = 5 years, Price = \$98

- ☐ Both are equally good investments
- ☒ Bond B
- ☐ Bond A

Correct answer



Question 3

5 / 5 pts

- 1-year zero coupon bond is trading at \$98. FV = \$100.
- 2-year zero coupon bond is trading at \$97. FV = \$100.

- 3-year zero coupon bond is trading at \$95. $FV = \$100$.
 - What should be the price of a 3-year 8% coupon bond $FV = \$100$?
- ☐ 121.3
- ☒ 118.2
- ☐ 137.2
- ☐ 110.4

Quiz Score: 15 out of 15