Questions:

1. $1,000 face amount bonds of Stalwart Development Corp. are quoted at a price of 102.2 and carry a 6.50 percent coupon. The bonds pay interest semiannually. What is the current yield on one of these bonds?

The answer should be a percent

2. A 20-year, 4.8 percent, semiannual coupon bond issued by Cascade has a $1,000 face value. The bond is currently quoted at 99.6 percent. What is the clean price of this bond if the next interest payment will occur 2 months from today?

3. Locust has a bond outstanding that matures in 18.5 years and pays an 8.5 percent coupon. The bond pays interest semiannually. The bond has a par value of $1,000 and a market price of $1,007.44. Interest is paid semi-annually. What is the yield to maturity?

The answer should be a percent

4. A bond was purchased for a total cost outlay of $1,015. This price is referred to as:

a) Quoted price, b) spread price, c) dirty price or d) call price

5. A company’s stock paid a $0.71 annual dividend, the dividends increase by 1.6 percent annually and you require a 10 percent rate of return. How much would you be willing to pay for one share?

6. Bongo plans to pay an annual dividend of $2.60 a share on its common stock next year. This year, Bongo paid a dividend of $2.50 a share. The company adheres to a constant rate of growth dividend policy. What will one share of Bongo’s common stock be worth 5 years from now if the applicable discount rate is 6.75 percent?

7. The next dividend payment by Hillside will be $2.40 per share. The dividends are anticipated to maintain a 3.5 percent growth rate forever. Hillside’s stock currently sells for $75 per share. What is the dividend yield?

8. Lacrosse pays an annual dividend that is expected to increase by 3 percent per year. The stock commands a market rate of return of 11.5 percent and sells for $26.82 a share. What is the expected amount of the next dividend?