

Fundamentals of Finance FINC 150 Practice 2 - Even More Problems

- 1) Dairy Delight wants to raise \$1.4 million by selling 15-year coupon bonds at par. Comparable bonds in the market have a coupon rate of 5.4 percent, semiannual payments, 15 years to maturity, and are selling at 97.8 percent of par. What coupon rate should Dairy Delight set on its bonds? 1) _____
A) 5.17 percent B) 5.62 percent C) 5.40 percent D) 5.50 percent
- 2) TAC Co. has 4.8 percent, semiannual coupon bonds on the market with four years left to maturity. If the bond currently sells for \$908.60, what is its YTM? 2) _____
A) 7.49 percent B) 6.78 percent C) 7.90 percent D) 8.10 percent
- 3) The 4.5 percent bond of JL Motors has a face value of \$1,000, a maturity of 7 years, semiannual interest payments, and a yield to maturity of 6.23 percent. What is the current market price of the bond? 3) _____
A) \$912.40 B) \$903.05 C) \$945.08 D) \$959.60 E) \$947.21
- 4) A \$1,000 face value bond currently has a yield to maturity of 8.22 percent. The bond matures in five years and pays interest semiannually. The coupon rate is 7.5 percent. What is the current price of this bond? 4) _____
A) \$1,010.13 B) \$1,005.26 C) \$970.96 D) \$948.01
- 5) A 12-year, annual coupon bond is priced at \$1,102.60. The bond has a \$1,000 face value and a yield to maturity of 5.33 percent. What is the coupon rate? 5) _____
A) 5.09 percent B) 6.51 percent C) 5.74 percent D) 6.28 percent
- 6) A six-year, semiannual coupon bond is selling for \$991.38. The bond has a face value of \$1,000 and a yield to maturity of 9.19 percent. What is the coupon rate? 6) _____
A) 4.60 percent B) 6.00 percent C) 9.00 percent D) 9.20 percent
- 7) Horseshoe Stables is losing significant market share and thus its managers have decided to decrease the firm's annual dividend. The last annual dividend was \$.86 a share but all future dividends will be decreased by 3.5 percent annually. What is a share of this stock worth today at a required return of 17.8 percent? 7) _____
A) \$3.95 B) \$3.59 C) \$3.06 D) \$3.90 E) \$3.41
- 8) Dry Dock Marina is expected to pay an annual dividend of \$1.58 next year. The stock is selling for \$18.53 a share and has a total return of 9.48 percent. What is the dividend growth rate? 8) _____
A) 1.28 percent B) .66 percent C) .82 percent D) .95 percent

Answer Key

Testname: PRACTICE2EVENMOREPROBLEMS

- 1) B
- 2) A
- 3) B
- 4) C
- 5) B
- 6) C
- 7) D
- 8) D