**Solutions to Quiz Problems – Chapters 8-9**

1.  +  r = 4.53% → YTM = 9.06%
2. 105:23 = Bid Price. 105:24 = Ask Price

105:24 = 105 24/32 = 105.75

$10,000 (105.75%) = $10,575

1.  + = $1,065.28
2. 101:12 = 101 12/32 = 101.375

 +  r = 3.6736% → YTM = 7.35%

1.  +  r = 3.46% → YTM = 6.92%

 +  C = 4.0 → Coupon Rate = 8%

1. Price = $2 + $2(1.2) + $2(1.2)2 + $2(1.2)3 + $2(1.2)4 + [$2 (1.2)4 (1.07)]/(.10 - .07)

1.1 (1.1)2 (1.1)3 (1.1)4 (1.1)4

= $113.02 Or,

Price = $2 + $ +  = $113.02

1. $1.5 (1.2)2 + $1.5 (1.2)3 + [$1.5 (1.2)3 (1.05)]/(.11 - .05) = $40.86

(1.11) (1.11)2 (1.11)2

1. PVFCF  = $2 million + $2.5 million + [$2.5 million (1.04)] / (.1-.04) = $39,696,970
   1. (1.1)2 (1.1)2

$39,696,970 - $3 million = $24.46 per share

1.5 million shares

1. FV =  = $1,617,122.52 = Nominal dollars at retirement

$1,617,122.52 = $674,730.82 = Real dollars at retirement

(1 + .025/12)420

1. Price =  + + 

Price = $13,474.20