

Required rate of return	Rate	8.00%
Years left to maturity	Nper	20
Annual interest payment	Pmt	70.00
Future value (par value)	FV	1,000
Solve for present value (bond value)	PV	(\$901.82)

Enter you  
then ente  
=PV(Rate  
PV(C1,C2

Using the yellow cells in the spreadsheet above to compute the bond valuation.

### Question #1

Trico bonds have an annual coupon rate of 8 percent and a par value of %1000 and will mature in 20 years. If you requires a return of 7 percent, what price would you be willing to pay for the bond? What happens if for MORE the bond? What happens if you pay LESS for the bond?

The value of the bond is purchased above the price, which means that the investor is paying premium of th and the reputation of the bond is good in the market.

If the investor pays less than the PV of the bond, which means that the bond is purchased at discount and l is undervalued in the market.

Karina Izakova

ir value in row C,  
er in the C6 cell  
, Nper, Pmt, Fv)=  
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e bond

bond

Required rate of return	Rate	5.00%
Years left to maturity	Nper	7
Annual interest payment	Pmt	20.00
Future value (par value)	FV	1,000
Solve for present value (bond value)	PV	(\$941.55)

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PV(C1,C2

Using the yellow cells in the spreadsheet above to compute the bond valuation.

**Question #2**

Sunn Co's bonds maturing in 7 years, pay 4 percent interest on a \$1000 face value. However, interest is paid semiannually. If you required rate of return is 5 percent, what is the value of the bond? How would your answer change if the interest were paid annually?

Annually: (\$968.25)

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er in the C6 cell  
, Nper, Pmt, Fv)=  
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Years left to maturity	Nper	7
Annual interest payment	Pmt	30
Present value	PV	820
Future value	FV	1,000
Expected rate of return	Rate	Err:523

Enter  
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Using the yellow cells in the spreadsheet above to compute the bond valuation.

**Question #3**

Assume you owe a bond with a market value of \$820 that matures in 7 years. The par value of the bond is \$1000. Interest payments of \$30 are paid semiannually. What is your expected rate of return on the

**Question #4**

Current Yield = annual interest / current price

Assume you have a bond with a semiannual interest payment of \$35, a par value of \$1000, and a current market of \$780. What is the current yield of the bond?

$$35/780=4.49\%$$

your value in row C, then  
in the C6 cell  
(Nper, Pmt,PV,Fv)=  
C1,C2,C3,C4)

e bond?