Homework 20

1. The corporate bond shown below was issued on July 2, 1967 with a face value of $1000, a maturity date of July 1, 1992 and a coupon rate of 4½%. Coupons were payable on January 1 and July 1 of each year.

Assume that I purchased this bond for $982 on July 2, 1982. Calculate the yield to maturity at the time of my bond purchase.

2. In August 2007, you could have purchased a U.S. Treasury zero coupon bond for $341 that matured in August 2027 at a face value of $1,000. What is the yield to maturity for this bond?

3. A recent advertisement for a Dell computer is shown below. If you purchase the computer outright, you’ll pay $1443. If you purchase the computer using their purchase plan (and, thanks to good credit, get their lowest rate of $43/month) what will be the true cost of your loan? Express your answer as an APR.

   The actual Dell advertisement (below) included the phrase “No payments for 90 days” which means your 48 monthly loan payments don’t start until the end of Month 3. Under this new repayment plan, what will be the true cost of your loan? Express your answer as an APR. **Be sure to draw a cash flow diagram!**