

Module 5 - Part 1 HOMEWORK – Long-Term Debt Financing

Directions – Module 5 - Part 1 HOMEWORK – Long-Term Debt Financing

Please try your best on these answers. The more you work on these the better off you will be for the test!

I have created a PowerPoint as *guides* to try to get you through these questions. The numbers will be different but the processes the same.

The answers and solutions will be shared on, October 7th.

If the answer is a percent - then please express it with the percentage sign and rounded-up to one-decimal. For example, if you got 7.89 as a percent - you would need to express it as 7.9%. If you got negative 7.89% you would need to express it as (7.9%).

1. Assumes Venture Healthcare sold bonds that have a ten-year maturity, a 12 percent coupon rate with annual payments, and a \$1,000 par value. What would be the bonds value? *Hint: Watch the Homework Hint video to figure out how to calculate this using Excel.*

Choice: \$750
Choice: \$1,000
Choice: \$1,500
Choice: \$2,000

2. Assume that two years after the Venture Healthcare bonds (ten-year maturity, a 12 percent coupon rate with annual payments, and a \$1,000 par value) were issued, the required interest rate fell to 7%. What would be the bonds value? *Hint: Watch the Homework Hint video to figure out how to calculate this using Excel.*

Choice: \$750.98
Choice: \$1,000.00
Choice: \$1,298.56
Choice: \$1,457.30

3. Assume that two years after the Venture Healthcare bonds (ten-year maturity, a 12 percent coupon rate with annual payments, and a \$1,000 par value) were issued, the required interest rate fell to 13%. What would be the bonds value? *Hint: Watch the Homework Hint video to figure out how to calculate this using Excel.*

Choice: \$887.24
Choice: \$952.01
Choice: \$1,000.00

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Choice: \$1,357.40

4. Tidewater Home Health Care, Inc., has a bond issue outstanding with eight years remaining to maturity, a coupon rate of 10% with interest paid annually, and a par value of \$1,000. The current market price of the bonds is \$1,251.22. *What is the bond's yield to maturity?*

Choice: 4.50%

Choice: 5.23%

Choice: 5.00%

Choice: 5.96%

5. Tidewater Home Health Care, Inc., has a bond issue outstanding with eight years remaining to maturity, a coupon rate of 10% with interest paid **semi-annually**, and a par value of \$1,000. The current market price of the bonds is \$1,251.22. *What is the bond's yield to maturity?*

Choice: 2.5%

Choice: 5.0%

Choice: 6.0%

Choice: 100%

6. Minneapolis Health System has bonds outstanding that have four years remaining to maturity, a coupon interest rate of 9% paid annually, and a \$1,000 par value. *What is the yield to maturity on the issue if the current market price is \$829?*

Choice: 10.00%

Choice: 12.87%

Choice: 14.99%

Choice: 23.45%

7. Minneapolis Health System has bonds outstanding that have four years remaining to maturity, a coupon interest rate of 9% paid annually, and a \$1,000 par value. *What is the yield to maturity on the issue if the current market price is \$1,104?*

Choice: 6.00%

Choice: 8.00%

Choice: 10.00%

Choice: 12.00%

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8. Minneapolis Health System has bonds outstanding that have four years remaining to maturity, a coupon interest rate of 9% paid annually, and a \$1,000 par value. *Would you be willing to buy one of these bonds for \$829 if you required a 12% rate of return on the issue?*

Choice: Yes

Choice: No

9. Regal Health Plans issued a 12% annual coupon bond with a \$1,000 par value a few years ago. The bond now has ten years remaining to maturity and sells for \$1,100. The bond has a call provision that allows Regal to call the bond in four years at a call price of \$1,060. *What is the bond's yield to maturity?*

Choice: 8.32%

Choice: 9.00%

Choice: 9.87%

Choice: 10.35%

10. Regal Health Plans issued a 12% annual coupon bond with a \$1,000 par value a few years ago. The bond now has ten years remaining to maturity and sells for \$1,100. The bond has a call provision that allows Regal to call the bond in four years at a call price of \$1,060. *What is the bond's yield to call?*

Choice: 5.07%

Choice: 10.13%

Choice: 15.74%

Choice: 100.00%