Question #1 of 32

Question ID: 1574343

Given the three bonds listed here, which bond has the *most* interest rate risk?

A) 24-year maturity, 5.0% coupon.

B) 8-year maturity, 12.0% coupon.

C) 8-year maturity, 5.5% coupon.

Question #2 of 32

Question ID: 1574336

Which of the following bonds is *most likely* to exhibit the greatest volatility due to interest rate changes? A bond with a:

A) high coupon and a long maturity.

B) low coupon and a long maturity.

C) low coupon and a short maturity.

Question #3 of 32

Question ID: 1574322

Which of the following is *most likely* to be the money duration of newly issued 360-day eurocommercial paper?

A) 360 days.

B) 4.3%.

C) €25 million.

Question #4 of 32

Question ID: 1574324

The price value of a basis point (PVBP) for a 18 year, 8% annual pay bond with a par value of $1,000 and yield of 9% is *closest* to:

A) $0.44.

B) $0.80.

C) $0.82.

Question #5 of 32

Question ID: 1574329

Which of the following five year bonds has the *highest* interest rate sensitivity?

A) Floating rate bond.

B) Zero-coupon bond.

C) Option-free 5% coupon bond.

Question #6 of 32

Question ID: 1574337

When interest rates increase, the modified duration of a 30-year bond selling at a discount:

A) decreases.

B) does not change.

C) increases.

Question #7 of 32

Question ID: 1576493

A 30-year semi-annual coupon bond issued today with market rates at 6.75% pays a 6.75% coupon. If the market yield declines by 30 basis points, the price increases to $1,039.59. If the market yield rises by 30 basis points, the price decreases to $962.77. The bond's approximate modified duration is *closest* to:

A) 1.3%.

B) 12.8%.

C) 3.9%.

Question #8 of 32

Question ID: 1576496

For large changes in yield, which of the following statements about using duration to estimate price changes is *most accurate*? Duration alone:

A) overestimates the increase in price for decreases in yield.

B) overestimates the increase in price for increases in yield.

C) underestimates the increase in price for decreases in yield.

Question #9 of 32

Question ID: 1574334

Holding other factors constant, the interest rate risk of a coupon bond is higher when the bond's:

A) coupon rate is higher.

B) current yield is higher.

C) yield to maturity is lower.

Question #10 of 32

Question ID: 1574327

Martina Whittaker runs a fixed-income portfolio that contains a $12 million full price position in the corporate bonds of Dewey Treadmills. Whittaker is concerned that interest rates are likely to rise and has calculated an annual modified duration of 8.0 for the Dewey bonds. The money duration of the position in Dewey bonds is *closest* to:

A) $9.6 million.

B) $48.0 million.

C) $96.0 million.

Question #11 of 32

Question ID: 1574341

All other things being equal, which of the following bonds has the greatest duration?

A) 5-year, 8% coupon bond.

B) 15-year, 8% coupon bond.

C) 15-year, 12% coupon bond.

Question #12 of 32

Question ID: 1574330

Which of the following bonds has the *highest* interest rate sensitivity? A:

A) five year, 5% coupon bond callable in one year.

B) ten year, option-free 4% coupon bond.

C) ten year, option-free 6% coupon bond.

Question #13 of 32

Question ID: 1576497

Consider a 25-year, $1,000 par semiannual-pay bond with a 7.5% coupon and a 9.25% YTM. Based on a yield change of 50 basis points, the approximate modified duration of the bond is *closest to*:

A) 10.03.

B) 12.50.

C) 8.73.

Question #14 of 32

Question ID: 1576495

A non-callable bond with 10 years remaining maturity has an annual coupon of 5.5% and a $1,000 par value. The yield to maturity on the bond is 4.7%. Which of the following is *closest* to the estimated price change of the bond using duration if rates rise by 75 basis points?

A) -$5.68.

B) -$47.34.

C) -$61.10.

Question #15 of 32

Question ID: 1574323

The price value of a basis point (PVBP) for a 7-year, 10% semiannual pay bond with a par value of $1,000 and yield of 6% is *closest* to:

A) $0.28.

B) $0.64.

C) $0.92.

Question #16 of 32

Question ID: 1574339

An analyst has stated that, holding all else constant, an increase in the maturity of a coupon bond will typically increase its interest rate risk, and that a decrease in the coupon rate of a coupon bond will typically decrease its interest rate risk. The analyst is correct with respect to:

A) neither of these effects.

B) only one of these effects.

C) both of these effects.

Question #17 of 32

Question ID: 1574326

The current price of a $1,000 par value, 6-year, 4.2% semiannual coupon bond is $958.97. The bond's price value of a basis point is *closest* to:

A) $4.20.

B) $5.01.

C) $0.50.

Question #18 of 32

Question ID: 1577196

The approximate modified duration of an option-free 20-year 7% annual-pay par bond based on a 25 basis point change in yield is *closest* to:

A) 5.3.

B) 10.6.

C) 13.7.

Question #19 of 32

Question ID: 1576491

Assume that the current price of an annual-pay bond is 102.50 per 100 of face value. If its YTM increases by 0.5% the value of the bond decreases to 100 and if its YTM decreases by 0.5% the price of the bond increases to 105.5. What is the approximate modified duration of the bond?

A) 5.37.

B) 5.48.

C) 5.50.

Question #20 of 32

Question ID: 1576492

An investor finds that for a 1% increase in yield to maturity, a bond's price will decrease by 4.21% compared to a 4.45% increase in value for a 1% decline in YTM. If the bond is currently trading at par value, the bond's approximate modified duration is *closest* to:

A) 43.30.

B) 4.33.

C) 8.66.

Question #21 of 32

Question ID: 1574325

A $100,000 par value bond has a full price of $99,300, a Macaulay duration of 6.5, and an annual modified duration of 6.1. The bond's money duration per $100 par value is *closest to*:

A) $606.

B) $645.

C) $6.06.

Question #22 of 32

Question ID: 1574338

What happens to bond durations when coupon rates increase and maturities increase?

	As coupon rates increase, duration:	As maturities increase, duration:
A)	decreases	decreases
B)	decreases	increases
C)	increases	increases

Question #23 of 32

Question ID: 1574340

All else equal, which of the following is *least likely* to increase the interest rate risk of a bond?

A) A longer maturity.

B) Inclusion of a call feature.

C) A decrease in the YTM.

Question #24 of 32

Question ID: 1574335

In comparing the price volatility of putable bonds to that of option-free bonds, a putable bond will have:

A) less price volatility at higher yields.

B) less price volatility at low yields.

C) more price volatility at higher yields.

Question #25 of 32

Question ID: 1574342

On Monday, the yield curve is upward sloping with yields of 3%, 4%, and 5.5% on 1-year, 5-year, and 10-year government bonds, respectively. The following day, the yield curve experiences an upward parallel shift equal to 50 basis points. Other things equal, which of the following noncallable 6% coupon bonds is likely to experience the smallest percent change in price as a result of the yield curve shift?

A) Zero coupon government bond maturing in five years.

B) Par value government bond maturing in five years.

C) Par value government bond maturing in ten years.

Question #26 of 32

Question ID: 1574331

Which of the following statements about an embedded call feature in a bond is *least* accurate? The call feature:

A) reduces the bond's capital appreciation potential.

B) increases the bond's duration, increasing price risk.

C) exposes investors to additional reinvestment rate risk.

Question #27 of 32

Question ID: 1574333

Suppose the term structure of interest rates makes an instantaneous parallel upward shift of 100 basis points. Which of the following securities experiences the largest change in value? A five-year:

A) coupon bond with a coupon rate of 5%.

B) floating rate bond.

C) zero-coupon bond.

Question #28 of 32

Question ID: 1577195

Compared to a bond's Macaulay duration, its modified duration:

A) is lower.

B) is higher.

C) may be lower or higher.

Question #29 of 32

Question ID: 1574332

Which of the following bonds has the shortest duration? A bond with a:

A) 20-year maturity, 6% coupon rate.

B) 10-year maturity, 10% coupon rate.

C) 10-year maturity, 6% coupon rate.

Question #30 of 32

Question ID: 1576494

A bond with a yield to maturity of 8.0% is priced at 96.00. If its yield increases to 8.3% its price will decrease to 94.06. If its yield decreases to 7.7% its price will increase to 98.47. The modified duration of the bond is *closest to*:

A) 4.34.

B) 7.66.

C) 2.75.

Question #31 of 32

Question ID: 1577197

An option-free 5-year 6% annual-pay bond is selling $979.22 per $1,000 of par value and has a Macaulay duration of 4.4587. The bond's modified duration is *closest* to:

A) 4.187.

B) 4.206.

C) 4.246.

Question #32 of 32

Question ID: 1574328

Which of the following statements concerning the price volatility of bonds is *most* accurate?

A) As the yield on callable bonds approaches the coupon rate, the bond's price will approach a "floor" value.

B) Bonds with longer maturities have lower interest rate risk.

C) Bonds with higher coupons have lower interest rate risk.