

- A \$500 9% face value bond was sold for 72% on June 1. Interest was last paid on April 1. What is the total cost of buying the bond?

$$1) \text{ MV} = \text{FV} \times \text{MV} \% \\ 500 \times 0.72 = \$360$$

$$2) 30 + 31 = 61$$

$$3) 500 \times 0.09 \times \left(\frac{61}{365}\right) = \$7.52$$

$$4) 360 + 7.52 = \$367.52$$

- A \$5000 12.375% face value bond was sold for 89.50% on Dec 29. Interest was last paid on Dec 15. What is the total cost of buying the bond?

1. $5000 \times 0.8950 = \$4475$
2. 14 days
3. $5000 \times 12.375\% \times \left(\frac{14}{365}\right) = \23.73
4. $4475 + 23.73 = 4498.73$