Today:
1. Pricing bonds and common stock
2. Amortization of a bond
3. Callable bonds

In Class Exercises:
1. You have decided to invest in Bond X, an n-year bond with semi-annual coupons and the following characteristics:
   • Par value is 1000. • The ratio of the semi-annual coupon rate to the desired semi-annual yield rate, r/i is 1.03125. • The present value of the redemption value is 381.50.
   Given $v^n = 0.5889$, what is the price of bond X? (S#22)

2. You are given the following information with respect to a bond:
   Par amount: 1000
   Term to maturity 3 years

<table>
<thead>
<tr>
<th>Term</th>
<th>Annual Spot Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7%</td>
</tr>
<tr>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>9%</td>
</tr>
</tbody>
</table>

   Annual coupon rate 6% payable annual:
   Calculate the value of the bond. (S#33)
3. Toby purchased a 20-year par value bond with semiannual coupons at a nominal annual rate of 8% convertible semiannually at a price of 1722.25. The bond can be called at par value 1100 on any coupon date starting at the end of year 15. What is the minimum yield that Toby could receive, expressed as a nominal annual rate of interest convertible semiannually? (S#55)

4. Mary purchased a 10-year par value bond with semiannual coupons at a nominal annual rate of 4% convertible semiannually at a price of 1021.50. The bond can be called at par value 1100 on any coupon date starting at the end of year 5. What is the minimum yield that Mary could receive, expressed as a nominal annual rate of interest convertible semiannually? (S#57)