15 Lecture - MGT201

Important Mcqs

1. What is the formula for calculating the yield to maturity on a bond?

- A. (Annual coupon payment + Face value Bond price) / Face value
- B. (Annual coupon payment / Bond price) x 100
- C. (Annual coupon payment + Face value) / Bond price
- D. (Annual coupon payment x Number of years) / Bond price

Answer: A

2. Which of the following bond yields is used to calculate the price of a bond in the secondary market?

- A. Yield to maturity
- B. Current yield
- C. Coupon rate
- D. Yield to call

Answer: A

3. What happens to the price of a bond when its yield to maturity increases?

- A. The price increases
- B. The price decreases
- C. The price remains the same
- D. The price fluctuates

Answer: B

4. What is the relationship between the coupon rate and the yield to maturity on a bond?

- A. They are equal
- B. The coupon rate is always higher
- C. The yield to maturity is always higher
- D. They may be equal or different depending on market conditions

Answer: D

5. What is the formula for calculating the current yield on a bond?

- A. Annual coupon payment / Bond price
- B. (Annual coupon payment x Number of years) / Bond price
- C. (Annual coupon payment + Face value) / Bond price
- D. (Annual coupon payment + Face value Bond price) / Face value

Answer: A

6. Which of the following factors affects the yield to maturity on a bond?

- A. Coupon rate
- B. Face value
- C. Bond price
- D. All of the above

Answer: D

7. What is the formula for calculating the price of a bond?

- A. Annual coupon payment x Number of years
- B. Annual coupon payment / Bond price
- C. (Annual coupon payment / Yield to maturity) $x (1 1 / (1 + Yield to maturity)^Number of years) + Face value / (1 + Yield to maturity)^Number of years$
- D. Face value / Bond price

Answer: C

8. Which of the following bonds has the highest default risk?

- A. Treasury bond
- B. Municipal bond
- C. Corporate bond
- D. Zero-coupon bond

Answer: C

9. What is the yield to call on a bond?

- A. The yield to maturity when the bond is called
- B. The yield earned on the bond when it is called
- C. The yield required by investors to hold the bond until it is called
- D. None of the above

Answer: C

10. What is the difference between the coupon rate and the yield to maturity on a premium bond?

- A. The coupon rate is higher than the yield to maturity
- B. The coupon rate is lower than the yield to maturity
- C. The coupon rate is equal to the yield to maturity
- D. It depends on market conditions

Answer: B