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