

15 Lecture - MGT201

Important Mcqs

- 1. What is the formula for calculating the yield to maturity on a bond?**
 - A. $(\text{Annual coupon payment} + \text{Face value} - \text{Bond price}) / \text{Face value}$
 - B. $(\text{Annual coupon payment} / \text{Bond price}) \times 100$
 - C. $(\text{Annual coupon payment} + \text{Face value}) / \text{Bond price}$
 - D. $(\text{Annual coupon payment} \times \text{Number of years}) / \text{Bond price}$**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. $\text{Annual coupon payment} / \text{Bond price}$
 - B. $(\text{Annual coupon payment} \times \text{Number of years}) / \text{Bond price}$
 - C. $(\text{Annual coupon payment} + \text{Face value}) / \text{Bond price}$
 - D. $(\text{Annual coupon payment} + \text{Face value} - \text{Bond price}) / \text{Face value}$**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. $(\text{Annual coupon payment} / \text{Yield to maturity}) \times (1 - 1 / (1 + \text{Yield to maturity})^{\text{Number of years}}) + \text{Face value} / (1 + \text{Yield to maturity})^{\text{Number of years}}$
- 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