

Finding Bond Yield via a Financial Calculator

Texas Instruments - BA II Plus:

TVM - Registers: (Time Value of Money)

- N number of payments (periods) n
- I/Y interest as a percent $100i$
- PMT payment amount per period (must be entered as a negative)
- PV present value of payments
($-PMT \times a_{\overline{n}|i}$ or $-PMT \times \ddot{a}_{\overline{n}|i}$)
- FV future value (accumulated value)
($-PMT \times s_{\overline{n}|i}$ or $-PMT \times \ddot{s}_{\overline{n}|i}$)

Annuity Immediate vs Annuity Due

- END - Annuity Immediate (payment at end)
- BGN - Annuity Due (payment at beginning of each period)

Check setting:

Press $\boxed{2^{nd}}$ $[BGN]$

(shows whether set to END or BGN)

Change setting:

Press $\boxed{2^{nd}}$ $[set]$

(switches to the other setting)

For the Bond Yield problem be sure it is set to END .

Clear TVM Registers

Press $\boxed{2^{nd}}$ $\boxed{[CLR TVM]}$

To solve:

$$P = Fr a_{\overline{n}|i} + V^n C$$

for i , or

$$P - Fr a_{\overline{n}|i} - V^n C = 0$$

Enter (for example)

Price	1100	→	Press PV	$P=1100$
Coupon Pmt.	-40	→	Press PMT	$Fr=40$
# of Payments	20	→	Press N	$n=20$
Redemption Value	-1000	→	Press FV	$C=1000$

(Both Fr and C are entered as negative numbers)

Solve for i

Press \boxed{CPT} $\boxed{I/Y}$

produces i

($i = .0330852$ with
above values)

(annual yield $.0661704$)