

## Quiz 4 - Solution

1. Using "Frank"

$$P = Fr a_{\overline{n}|i} + K$$

$P$  = Price of Bond

$F$  = Face value of Bond

$r$  = Coupon rate

$Fr$  = coupon payment amount

$n$  = number of coupon payments until maturity

$i$  = bond yield rate

$K$  = present value of redemption amount  
 $= C v^n$

2. Purchased "at discount" means the price paid ( $P$ ) is smaller than the redemption value ( $C$ ).