1. When computing **cashflow received** from investing in a coupon bond, we use
   (a) Bond Price and Yield to Maturity
   (b) Bond Price and Coupon Rate
   (c) Par value and Coupon Rate
   (d) Insufficient data

2. When computing **Yield to Maturity**, the implicit **reinvestment** assumption is that the interest payments are reinvested at the
   (a) Yield to Maturity at the time of the investment
   (b) Coupon rate
   (c) Future interest rate at the time interest payments are received
   (d) Insufficient Data

   - Yield to maturity is the interest rate that equates the present value of cashflow payments with its value today.
   - Bond Market Price $= \sum_{t=1}^{n} \frac{CF_t}{(1+k)^t} \rightarrow k = i =$ interest rate (required rate of return) on the bond (if hold to maturity)

3. Suppose an investor is considering buying one of 2 years bonds:
   - Bond A has 1,000 Baht face value, zero coupon bond, 12% yield to maturity
   - Bond B has 100 Baht face value, 10% annual coupon, 10% yield to maturity.

   Assume that the investor can buy fractions of a bond. The investor plans to hold the bond until its maturity and expects that interest rate will be constant for the next 2 years. Which bond the investor should buy to get higher returns? Explain the reason.

4. An investor wants to invest \$1000 cash for a period of 1 year. He has two alternative choices:
   (a) 5% Coupon bond, maturity of 10 years, YTM = 5%
   (b) 5% Coupoun bond, maturity of 5 years, YTM = 5%

   - Which one is more profitable?
     - If the investor expect that interest rate will decrease in the next 10 years
     - If the investor expect that interest rate will increase in the next 10 years

5. **All other things being equal,** which one of the following bonds has the greatest volatility?
   (a) 10 years, 15% coupon
   (b) 10 years, 10% coupon
   (c) 5 years, 10% coupon
   (d) Insufficient Data

   - **All other things being equal,** the longer the maturity, the .... sensitive the bond price will be to a unit change in interest rate
   - **All other things being equal,** the higher the coupon rate, the .... sensitive the bond price will be to a unit change in interest rate
   - **All other things being equal,** the higher the yield to maturity, the .... sensitive the bond price will be to a unit change in interest rate