Patlapa Suparngkarat
5604641034

1. Why do corporations sell bonds?
   a. Corporations sell or issue bonds to raise money. The interest rate that companies have to pay bond investors is often less than the interest rate that they would be required to pay for a bank loan.
2. What are the differences among a debenture, a mortgage bond, and a subordinated debenture?
   a. A debenture is an unsecured debt that can be issued by a company. There is no collateral but backed by creditworthiness and reputation of the issuer.
   b. A mortgage bond is a bond backed by mortgage on one or more assets i.e. real estates.
   c. A subordinated debenture is a type of debt instrument which ranks below other securities. In case of default, it will get paid after senior debtholders were paid in full.
3. Why would an investor purchase a convertible bond or a high-yield bond?
   a. A convertible bond is a bond that give right to an investor to convert a bond into a specified number of common stock in the issuing company. So, this allows the investor to convert bond when common stock price rise and gain more than bond's interest rate.
4. Describe three reasons a corporation would sell convertible bonds.
   a. A corporation would be able to sell convertible bonds with lower coupon rate than a standard bond. The cost of borrowed funds, relative to equity funds, is significantly lowered by the deductibility of interest payments for federal income tax purposes.
   b. A corporation should appeal to the broadest possible market and offer as many different type as possible to the investor since different types of securities are suited in different situations.
   c. The availability of internally generated funds relative to total financing needs, might not be enough.
5. Explain the methods that corporations can use to repay a bond issue.
   a. There are two methods that corporations will use which are using sinking funds and issuing serial bonds. A sinking fund is the fund that corporation put in saving accounts. A serial bond is bonds with different maturities, so the company can repay the principle in different time.