

Student \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Instructor \_\_\_\_\_

## SECTION 12-6 Bonds

Bonds are issued by governments and large corporations to raise money. When you invest in bonds, you lend money to the corporation or government, and you are paid interest. When the bond matures, you receive the face value of the bond.

$$\text{Annual Interest} = \text{Interest Rate} \times \text{Face Value}$$

$$\text{Bond Cost} = \text{Percent} \times \text{Face Value}$$

$$\text{Annual Yield} = \frac{\text{Annual Interest}}{\text{Bond Cost}}$$

Complete the table below. Round each percent to the nearest hundredth.

	Face Value of Bond	Quoted Price	Cost of Bond	Interest Rate	Annual Interest	Annual Yield
1.	\$10,000	98	\$ 9,800	8%	\$ 800.00	8.16%
2.	12,000	77	9,240	7½%	900.00	9.74%
3.	5,000	85½	4,275	8¼%	412.50	9.65%
4.	20,000	91¾	18,275	10⅛%	2,025.00	11.08%
5.	40,000	85¼	34,100	12%	4,800.00	14.08%

6. Ralph Suarez purchases a \$9,000 bond at 88¼. It pays 6 percent annual interest.
- What is the cost of the bond? \_\_\_\_\_
  - What is the annual interest earned? \_\_\_\_\_
  - What is the annual yield? \_\_\_\_\_
7. Eva Rhodes purchases a \$14,000 bond at 96¾. It pays 12⅝ percent annual interest.
- What is the cost of the bond? \_\_\_\_\_
  - What is the annual interest earned? \_\_\_\_\_
  - What is the annual yield? \_\_\_\_\_
8. You use your savings to buy a \$1,500 bond at 82⅞. It pays 8¾ percent annual interest.
- What is the cost of the bond? \_\_\_\_\_
  - What is the annual interest earned? \_\_\_\_\_
  - What is the annual yield? \_\_\_\_\_