

Chapter – 20: Long-Term Debt

Questions & Problems section

12. Partly Convertible Debentures:

[a] compute the YTM (if invested today);

Assuming today to be April 2009 and purchaser being not eligible for April 2009 semi-annual coupon payment – the YTM works out to be 81.26%

[b] What was the YTM rate for a person who invested in January 2008;

Assuming the payment to be in January 2008 and purchase to be eligible for the semi-annual interest due in April 2008 the YTM works out to around 44%

[c] What is the YTM for someone who invested initially?

Simple question! It will work out to be 14.49% (being semi-annual payments)