Optional Bonus Quiz (15 points)

Directions: This is an optional bonus quiz. If you choose to take it, it will replace your worse quiz score (assuming this isn’t your worst quiz score). If you choose to do this quiz you must hand it into Hawthorn 265 no later than Friday, April 3, 2015 at 4:45pm. Late Quizzes will NOT be accepted.

Please answer the following questions and make sure your answer are legible. If you don’t show work and/or I can’t follow it, I won’t give partial credit. Since this quiz is take home, you may use notes, but the only person you may talk to about this quiz is Jackie Kaminski, this includes in-person and digital communication.

1. I certify that I have not discussed my work on this quiz with anyone (other than Jackie Kaminski). This includes in-person communication, electronic communication and all other forms of communication. I understand that violating this policy is considered Academic Dishonesty, and will be dealt with accordingly.

2. (4 points) Boeing Co issued $1,000 par value bonds in February of 2003. The coupon rate is 6.125% with semiannual payments and a maturity date of February 15, 2033. The bonds are currently selling for $1352.20 (April 1, 2015).


   (a) How much is the interest payments for this bond?

   (b) What is the current yield of this bond?

   (c) Is this bond being sold at par, at a premium, or at a discount? Give one potential real world reason why the bond may be selling this way.

      (You can make up a possible reason, you don’t have to do real world research.)

3. (2 points) Bradley and Brian are considering 2 investment options: The Boeing Co bonds from question 2 and savings account with 1% simple interest.

   (a) Bradley chose the Boeing Co Bonds. Give a likely reason for his choice.

   (b) Brian chose the savings account. Give a likely reason for his choice.

Be sure to consider risk and potential returns to be made in your answers to this question.
4. (4 points) Jackie’s fake Mutual Fund has total assets of $84,205,292, has 1,233,902 shares outstanding. Assume this is an open ended mutual fund with no load. You are also told that the fund’s assets are allocated 85% to Equities, 10% to Fixed Income and 5% to cash.

(a) Based on asset allocation, is this a relatively risky mutual fund or a relatively conservative mutual fund? Explain/Justify.

(b) What is the NAV per share for this Mutual Fund.

(c) If you invest $2000 in this mutual fund, how many new shares will be created?

5. (2 points) Fidelity has Select Pharmaceuticals Portfolio (FPHAX) that contains stocks from pharmaceutical companies like Bristol Myers Squibb Co and Johnson & Johnson (among many others). As of March 31, 2015 the NAV of the FPHAX mutual fund was $23.67. Three Years ago, the NAV was about $14.60. What is the average annual rate of return (CARG) for this mutual fund? [https://fundresearch.fidelity.com/mutual-funds/summary/131582785]

6. (3 points) Barb and Bevin are considering two investments, the FPHAX mutual fund from question 5 and Stock in the pharmaceutical company Bristol Myers Squibb Co. Bristol Myers Squibb Co stock is currently selling for $63.99 a share. Three Years ago (April 2012) it was selling for $33.68 a share, meaning that the average annual rate of return on Bristol Myers Squibb Co stock over this period has been 23.85%.

(a) Barb chose the FPHAX mutual fund. Give a likely reason for her choice.

(b) Bevin chose the Bristol Myers Squibb Co stock. Give a likely reason for her choice.

(c) Who (Barb and/or Bevin) is guaranteed not to loose money with their investment? Be sure to consider risk and potential returns to be made in your answers to this question.