

CFA® SAMPLE QUESTION – LEVEL I

Corporate Finance

Q: Cowie Inc. just purchased a banker's acceptance for \$82,400. It will mature in the next 120 days for \$84,000.

The discount-basis yield and the bond equivalent yield for this security is closet to:

CORRECT ANSWER:

Discount-basis

Bond equivalent

Ⓐ 5.71%

5.91%

The actual discount on the acceptance is $(84,000 - 82,400) / 84,000 = 1.905\%$. So the annualized discount, or discount-basis yield is $1.905 (360/120) = 5.71\%$

The holding period yield is $(84,000 - 82,400) / 82,400 = 1.942\%$
The bond equivalent yield is therefore $1.942 * (365/120) = 5.91\%$



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