

CFA® SAMPLE QUESTION - LEVEL I

Fixed Income

Q: Bill hold a \$2 million semi annual-pay floating-rate issue where the rate is reset on January 1 and July 1 each year. The reference rate is 6-month LIBOR, and the stated margin is + 1.75%. If 6-month LIBOR is 3.5% on July 1, what will be the next semi annual coupon be on this issue?

CORRECT ANSWER:

(a) \$52,500

The applicable coupon rate will be $1.75\% + 3.5\% = 5.25\%$

Therefore the semi annual coupon payment will equal to $0.5 * 5.25\% * 2,000,000 = \$52,500$



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