

CFA® SAMPLE QUESTION – LEVEL I

Fixed Income

Q: An investor holds \$200,000 (par value) worth of TIPS currently trading at par. The coupon rate of 3% is paid semiannually, and now the current annual inflation rate is 2%. Then what coupon payment will the investor receive at the end of the first six months?

CORRECT ANSWER:

(a) \$2,030

This coupon payment is computed as below:

Coupon payment for the first six months:

$$= (200,000 \times (1 + 3\%/2)) * (2\%/2)$$

$$= \$2,030$$



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