

Update

Update for Licensing Examination for Securities and Futures Intermediaries Sample Questions - Paper 8: Securities

On page 32 of the English version, the explanation for question 33 is to be replaced by the following:

Question 33 Coupon payment:

$$30,000 \times \frac{1.85\%}{2} = 277.5$$

Let x be the annualised yield:

$$\frac{277.5}{\left(1 + \frac{x}{2}\right)} + \frac{277.5}{\left(1 + \frac{x}{2}\right)^2} + \frac{277.5}{\left(1 + \frac{x}{2}\right)^3} + \frac{30,277.5}{\left(1 + \frac{x}{2}\right)^4} = \text{HKD}29,478.06$$

Solve for x. Therefore, the annualised return is 2.75%

Alternatively, the yield must be higher than the coupon rate for a bond priced at a discount to its face value. By elimination, option D can be ruled out as the bond is priced at a premium to its face value where its yield should be lower than the coupon rate. When encountering such difficult calculations, readers are suggested to take the "trial-and-error" approach for the correct choice, i.e. putting the number of each option back into the formula.

The answer to the question remains to be A.

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