

47.

Bill buys a 10-year 1000 par value 6% bond with semi-annual coupons. The price assumes a nominal yield of 6%, compounded semi-annually.

As Bill receives each coupon payment, he immediately puts the money into an account earning interest at an annual effective rate of i .

At the end of 10 years, immediately after Bill receives the final coupon payment and the redemption value of the bond, Bill has earned an annual effective yield of 7% on his investment in the bond.

Calculate i .

- (A) 9.50%
- (B) 9.75%
- (C) 10.00%
- (D) 10.25%
- (E) 10.50%