

50. Solution: D

The problem tests the ability to determine the purchase price of a bond between bond coupon dates.

Find the price of the bond on the previous coupon date of April 15, 2005. On that date, there are 31 coupons (of \$30 each) left. So the price on April 15, 2005 is:

$$P = 1000 v^{31} + 30 a_{\overline{31}|j} \text{ all at } j = 0.035 \text{ or } P = 1000 + (30-35) a_{\overline{31}|j} \text{ at } j = 0.035.$$

Thus $P = \$906.32$

Then Price (June 28) = $906.32[1 + (74/183)(0.035)] = \919.15