

Details and Rubric

Unit 4 Assignment 1 Textbook Questions:

Please work on the following assignment to further your knowledge regarding the global financial system, to include bonds, equity market and mortgage securities.

Complete the following questions:

- Chapter Eight:
 - Question 17 (a, b, c)
 - Question 24
 - Problem 1
 - Problem 2
 - Problem 5
 - Problem 11
 - Problem 12
- Chapter Nine:
 - Question 14
 - Question 25
 - Question 30
 - Problem 1
- Chapter Ten:
 - Question 20
 - Question 22
 - Problem 1

Internet Exercises:

1. Go to www.giddy.org/db/corpspreads.htm. The spreads are listed in the form of basis points (100 basis points = 1 percent) above the Treasury security with the same maturity.
 - a. First determine the difference between the AAA and CCC spreads. This indicates how much more of a yield is required on CCC- rated bonds versus AAA-rated bonds. Next, determine the difference between AAA and BBB spreads. Then determine the difference between BBB and CCC spreads. Is the difference larger between the AAA and BBB or the BBB and CCC spreads? What does this tell you about the perceived risk of the bonds in these rating categories?
2. Assess a mortgage payment schedule such as <http://realestate.yahoo.com/calculators/amortization.html>. Assume a loan amount of \$120,000, an interest rate of 7.4%, and a 30-year maturity. Given this information, what is the monthly payment? In the first month, how much of the monthly payment is interest, and how much is principal? What is the outstanding balance after the first year? In the last month of payment, how much of the monthly payment is interest, and how much is principal? Why is there such a difference in the composition of the principal versus interest payment over time?

Directions for Submitting your Assignment

- One Word® file, including a title page, should be submitted to the Dropbox for the Unit 1 Assignment.

- The Questions and Applications and Point-Counter Point Activity should be answered in paragraph form fully addressing each aspect of the question or scenario presented.
- Any problems should be done in Excel® and pasted into the Word® document using the “Paste Special-Excel Worksheet Object” feature. This will allow the instructor to double click on the students work to see the formulas and calculations used to answer the selected problems.
- Compose your assignment in a MS® Word document and save it as Username-GF500 _Unit#_Assignment#.doc (Example: **KJames-GF500_Unit4_Assignment1.doc**). Submit your file by selecting the Unit 4: Assignment 1 in the Dropbox by the end of Unit 4.

Unit 4 Assignment 1: Textbook Questions		
Criteria for Assignment Grades	Points Possible	Points Earned
Provides correct and complete answers for questions and problems.	20	
Clearly shows the reasoning and/or calculations used to arrive at the answer or conclusion.	25	
Uses the Excel special paste feature where appropriate.	5	
Total	50	