#1-34A

EASY INTERMEDIATE HARD

CFA® SAMPLE QUESTION – LEVEL I

Fixed Income

Q: Which of the following best describes the maximum price for a currently callable bond?

CORRECT ANSWER:

ⓑ **The present value of its par value**

Simple concept question. Whenever the price of the callable bond increases above the strike price embedded on the call option (i.e. normally related interest rate will keep on decreasing based on the Yield Price relationship), it will be optimal for the issuer to call back the callable bond (i.e. in order to save the financing costs).

So theoretically, the price of a currently callable bond should never rise above its call price.

CFA Society Hong Kong Candidate Services

Mr. Zap Cheng, CFA
Candidate Services Committee

Date of issue:
1 Jan 2024