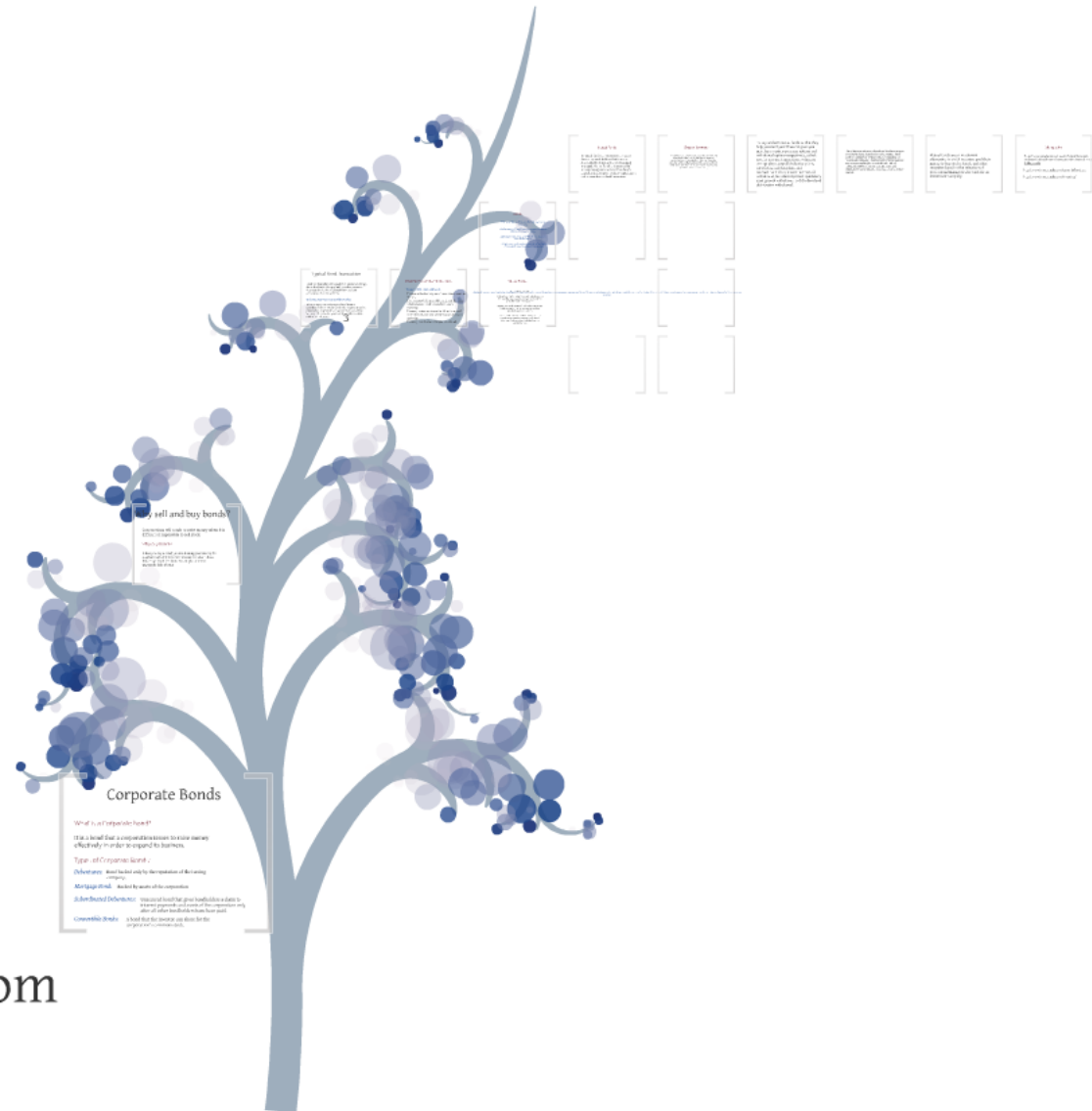
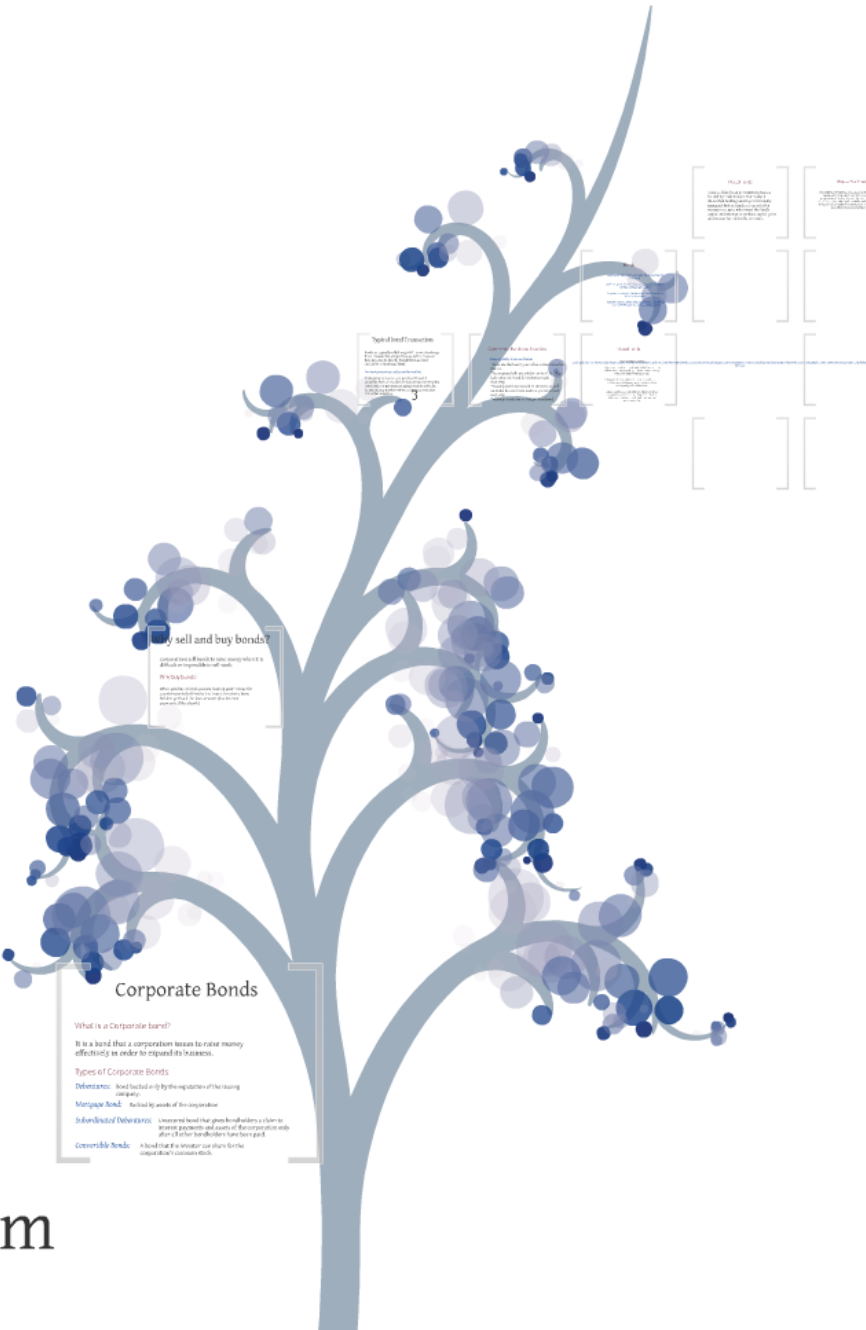


Finance Exam Harvard Case Solution & Analysis



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Corporate Bonds

What is a Corporate bond?

It is a bond that a corporation issues to raise money effectively in order to expand its business.

Types of Corporate Bonds:

Debentures: Bond backed only by the reputation of the issuing company.

Mortgage Bond: Backed by assets of the corporation

Subordinated Debentures: Unsecured bond that gives bondholders a claim to interest payments and assets of the corporation only after all other bondholders have been paid.

Convertible Bonds: A bond that the investor can share for the corporation's common stock.

Why sell and buy bonds?

Corporations sell bonds to raise money when it is difficult or impossible to sell stock.

Why buy bonds?

When you buy a bond, you are loaning your money for a certain period of time to the issuer. In return, bond holders get back the loan amount plus interest payments. (like a bank)

Typical Bond Transaction

Bonds are typically sold through full- service brokerage firms, discount brokerage firms, or online; however, they may also be directly bought from account executives or brokerage firms.

Purchasing in primary and secondary markets

In the primary market you purchase financial securities from an investment banker representing the corporation or government agency that issued them. In a secondary market you trade financial securities with other investors.

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Government Bonds and Securities

Treasury Bills, notes and bonds

These are the basic types of securities issued in the US.

The treasury bills are sold in units of 1k. They take between 4 and 52 weeks to reach maturity.

Treasury notes are issued in 1K units as well and take between one and ten years to reach maturity.

Treasury bonds are no longer circulated.

Mutual Funds

Types of Mutual Funds:

1. High-grade: they are the best quality bonds and have the lowest risks. 2. Medium-grade: the bonds have ma

1. Closed end fund: a mutual fund with a fixed number of shares that are issued by an investment company when the fund is first organized.
2. Open-end funds: a mutual fund with a certain limit on the amount of money you can borrow for a variety of goods and services.
3. Load funds: a mutual fund for which you pay a commission every time you buy or sell shares.
4. No-load funds: a mutual fund that have no commission fee.

Bonds

- 1.High-grade: they are the best quality bonds and have the lowest risks.*
- 2.Medium -grade: the bonds have many favorable investment attribute and adequate security.*
- 3.Speculative: risky, the bonds lack the characteristics of a desirable investment.*
- 4.Default: cannot continue interest payments to bondholders. They are highly risky. The company is in bankrupt.*