

CHAPTER OVERVIEW

4: Valuation and Bond Analysis

Learning Objectives

After completing this chapter, students should be able to

- Define valuation and identify the three steps in the valuation process
- Apply the three-step valuation process to bonds
- Calculate the value of a bond given the coupon rate, required return, and time to maturity of the bond
- Identify the three primary relationships between bond prices and interest rates
- Explain the concept of the yield-to-maturity and calculate the yield-to-maturity for a bond given the bond's price, coupon rate and time to maturity
- Explain the concept of a call provision
- Calculate the yield-to-call for a bond given the bond's price, coupon rate and time until first call date
- Identify which is more relevant to an investor regarding the coupon rate, yield-to-maturity, and yield-to-call
- Define key bond terms

[4.1: Valuation Concepts](#)

[4.2: Three-Step Valuation Process](#)

[4.3: Bond Pricing](#)

[4.4: Bond Prices and Interest Rates](#)

[4.5: Yield-to-Maturity \(YTM\)](#)

[4.6: Call Provisions](#)

[4.7: Zero Coupon Bonds](#)

[4.8: Bond Ratings and Default Risk](#)

[4.9: Key Takeaways](#)

[4.10: Exercises](#)

[4.11: Problems](#)

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