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**BBA 8th Semester**

**Subject: Financial Risk Management**

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**Q3. Calculate the effective maturity/ duration of a one year 10 percent coupon bond?**

**As the data in the question is given as**

Duration = 1 year

Coupon bond = 10%

**A)**

**Year payment present value of payment by discounting 10%**

1 110 $\frac{110}{1.10}$ = 100

**B)**

Year payment present value of payment relative value = $\frac{present value of payment}{value of the bomd}$

1 110 100 $\frac{100}{100}$ = 1.0

**C)**

**Year relative value years relative**

1 1.00 1.00\*1 = 1.00

So the effective maturity of 1 year with 10% coupon bond will be 1.00 which is the required result.