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**ID: 12922**

**Subject: financial risk management**

**Submit: Maryam Saleem**

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**Q: Calculate the effective maturity/ duration of a one year 10 percent coupon bond. (15 marks)**

**Ans: Time Duration = 1 year, Coupon Bond = 10%**

**STEP#1**

Year Payment Present value by discounting10%

**1 110 100**

**STEP#2**

Year Payment Present Value Relative Value

**1 110 100 100/100=1**

**Step#3**

Year Relative Value Year 1 Relative Value

**1 1 1 \* 1 = 1**

**The effective Maturity of a one year 10% coupon bond is 1.**