**Iqra National University**

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**Name :** Haroon Zazai

**T/name :** Ma’am Maryam Saleem

**Department :** Business Administration

**ID :** 15314

**Subject :** FRM

**Assignment** : Major Assignment #3 Final Term

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

As far as the data of the question is concerned,

 Duration = 1 year Coupon bond = 10%

**1st step:**

 Year payment present value of payment by discounting 10%

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

**2nd step**

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

**3rd step**

Year relative value years relative

1 1.00 1.00\*1 = 1.00

**Hence the effective maturity of One year with 10% coupon bond will be 1.00.**