1. The 6-month rate on the yield-curve is 1%, the price for a 1-year STRIP is 98.50, the yield to maturity of a 1.5 year STRIP is 1.8%, and the yield to maturity of a 1.5 year coupon bond is 1.7%. ALL RATES ARE QUOTED AS SEMI-ANNUALLY COMPOUNDED APR’s. What is the price a 3.6% coupon 1.5 year Treasury bond with semi-annual coupons (the next coupon is due in 6 months)? [2]

2. If the inflation rate is 2.4% APR, compounded monthly, and the nominal rate is 5%, compounded semi-annually, what is the real effective annual rate? [2]

3. Why shouldn’t you use IRR to choose between projects? [2]