2. Loan capital

XYZ plc needs a sum of £1m, and to rise—Bonds

OR alternative a longer term loan.

1. Bond price = £100 x 5% = £5

2. No. of bonds = £2m 4% = £100 x 4%

3. Amount to redeem the bonds = 23,904 x £100 = £2,340m

4. NPV = £500 x 10.5 = £5,250

5. Repayment

6. PVIFA 5%, 48 = 38.5803

7. PMT = £2,100,000 x 5% / 38.5803 = £50,918m each