

Bond Valuation

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Abstract: *The process of figuring out a bond's theoretical fair value is known as bond valuation. Bond valuation involves figuring out the face value, or par value, of the bond at maturity as well as the present value of the bond's future interest payments, or cash flow. An investor uses bond valuation to ascertain the rate of return necessary for a bond investment to be profitable because the par value and interest payments on bonds are set. Finding a bond's theoretical fair value, also known as par value, can be done through bond valuation. It entails figuring out the face value of the bond as well as the present value of the bond's anticipated future coupon payments, or cash flow. Bond valuation assists investors in determining the rate of return that would justify the cost of investing in bonds, given that the par value and interest payments of a bond are predetermined.*

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