

Section 7.2 Additional Problems

1. Suppose liabilities of \$1,000 are due to be paid at the end of years 2, 3, and 7. Asset cashflows consist A_1 in 1 year and A_6 in 6 years. The yield for all payments is 5%. You are going to try and immunize the liability by meeting the conditions for immunization.
 - a. Find A_1 and A_6 .
 - b. Verify that the conditions for immunization are met.