

19. Correct. The answer is true. The rate of return on a long term corporate bond is approximately the annual coupon divided by the price for a bond held for a long time with no capital gains or losses when you sell or redeem it. The actual formula for rate of return for a bond you buy at P_0 and sell or redeem at S for P_S with coupons in period i of c_i and compounding every i th period is the solution of r in the following formula $P_0 = \sum_{i=1}^S c_i / (1+r)^i + (P_S) / (1+r)^S$. For example, if $P_0 = 100$, $P_S = 105$, $S = 2$ and coupons are 10 after 1 year and 10 after two years, when you sell the bond, then r is the solution to $100 = 10 / (1+r) + 10 / (1+r)^2 + 105 / (1+r)^2$ and $r = 12.4\%$. This same formula would hold for a stock where c_i would be the dividends paid in period i .