20. Incorrect. The answer is false not true. Since the rate of return on a bond is approximately rr = D/P, the price should be P = DD/rr. Thus, if a bond pays a dividend of 10 and has a price of 100, its rr = 10/100 = 0.10. If the interest rate on a similar bond on the market goes up to 0.11, the rr on your bond is too low compared to the market. Your bond must pay a similar rate or D/P = 0.11 = 10/P. Thus P = 10/0.11 = $90.91. Note using the more accurate formula given in the answers to question 19, will also show a decrease in r will increase bond price.