Topic Page: Bond

Definition: **bond** from *Philip's Encyclopedia*

Promissory note guaranteeing the repayment of a specific amount of money on a particular date at a particular fixed rate of interest. Bonds may be issued by corporations, states, cities, or the federal government. The quality of the bond, and the interest rate paid on it, is determined by the period of the outstanding loan and the risk involved. Thus the US federal government normally pays a lower rate of interest than cities because US bonds are relatively risk-free. Bonds pay out fixed amounts of interest on a regular basis and appeal to investors seeking a regular income.

Summary Article: **bond**
From *The Columbia Encyclopedia*

in finance, usually a formal certificate of indebtedness issued in writing by governments or business corporations in return for loans. It bears interest and promises to pay a certain sum of money to the holder after a definite period, usually 10 to 20 years. Security is usually pledged against a bond; unsecured bonds are regarded as a long-term obligation on the capital of the issuing body. Some bonds are convertible upon maturity into the stock of the issuing company. One method used to retire bonds is the sinking fund; in such a case the issuing body buys back some of its bonds each year and holds them itself, applying the interest to the fund. The entire bond issue, most of which the firm has already acquired, is then retired on maturity. In the case of serial bonds, part of the issue is called in and paid for in full each year. Bonds were sold by the U.S. government to finance both World Wars and are still an important money-raising device. Government bonds are backed by the full faith and credit of the government issuing them, including its taxing power, and sometimes also by specifically designated security. Bonds are usually bought by those wishing conservative investment. A junk bond has a risky credit rating because it is issued by companies without an established earnings history or with a questionable credit history. Junk bonds have increasingly been used to help finance the purchase of companies, especially in leveraged buyouts.

See Jones, L. A. , Bonds and Bond Securities (4th ed., 4 vol., 1935-50);.
Atkinson, T. R. , Trends in Corporate Bond Quality (1967);.
Rabinowitz, A. , Municipal Bond Finance and Administration (1969);.
H. D. Sherman; R. E. Schrager, Junk Bonds and Tender Offer Financing (1987);.
Nichols, D. R. , The Personal Investor's Complete Book of Bonds (1988).

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Chicago

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Harvard

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