

Universitat de Barcelona

3rd course: Financial Management

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Exercises 5: Short-term external funding sources

1. If a firm grants credit with terms of 3/10, net 30, the customer
 - a. must pay a penalty of 3 percent when payment is made in more than 10 days after the sale
 - b. must pay a penalty for 10 percent when payment is made in more than 3 days after the sale
 - ☒ receives a discount of 3 percent when payment is made in less than 10 days after the sale
 - d. receives a discount of 10 percent when payment is made in less than 3 days after the sale
2. The net credit period for a company with terms of 3/10, net 60 is
 - ☒ 50 days
 - b. 60 days
 - c. 10 days
 - d. 57 days
3. Suppose you purchase goods on terms of 1/10, net 30. Taking compounding into account, what annual rate of interest is implied by the cash discount? (Assume a year has 365 days.)
 - a. 9.6 percent
 - b. 9.2 percent
 - ☒ 20.1 percent
 - d. 44.6 percent
4. Suppose you purchase goods on terms of 3/10, net 60. Taking compounding into account, what annual rate of interest is implied by the cash discount? (Assume a year has 365 days.)
 - a. 32 percent
 - ☒ 25 percent
 - c. 91 percent
 - d. 28.2 percent
5. Suppose you purchase goods on terms of 2/10, net 50. Taking compounding into account, what annual rate of interest is implied by the cash discount? (Assume a year has 365 days.)
 - a. 2 percent
 - ☒ 20.2 percent
 - c. 10.2 percent
 - d. 18.6 percent
6. Factoring refers to
 - a. determining the aging schedule of the firm's accounts receivable
 - ☒ the sale of a firm's accounts receivables to another firm
 - c. the determination of the average collection period
 - d. scoring a customer based on the 5 Cs of credit
7. In October 2019, six-month Treasury-bills were issued at a discount of 1,4%. What was the annual yield?
 - a. 1,4%
 - b. 1,415%
 - ☒ 2,8%
 - ☒ None of the previous answers is correct

$$\frac{1}{99} = i_{20} = 1.01\%$$

$$\left(1 + 0.0101\right)^{\frac{365}{20}} - 1$$

APPLIED TO ALL