

Solution:

(1)

The meaning of the terms are as follows:

Company	Face Amount	Term	Meaning
Hong Fruit & Vegetables	\$700	n/30	Payment of \$700 within 30 days
Rose Exterminators	\$90	EOM	Payment of \$90 within end of month
Iowa Meat Supply	\$850	15, EOM	Payment of \$850 within 15 days of EOM
John's Fisheries	\$1,000	1/10, n/30	Payment of \$1,000 within 30 days 1% discount if paid within 10 days
Garcia Equipment	\$2,000	2/10, n/30	Payment of \$2,000 within 30 days 2% discount if paid within 10 days

(2)

Let's consider John's fisheries first.

If I must pay within 10 days, I need to raise \$999. I will, thus sign a note of \$999 from the bank. However, I must return the bank the due amount within 10 or 20 or 30 days.

If I decide to pay within 10 days, then I need to pay $\$999 \times \left(1 + \frac{0.14}{360} \times 10\right) = \$1,002.89$, which is more than \$1,000 which I can pay within 30 days.

Thus, it would be much more beneficial if I decide to pay within 30 days, rather than taking a loan for advantage of discount.

Let's now consider Garcia Equipment.

If I must pay within 10 days, I need to raise \$1,960. I will, thus sign a note of \$1,960 from the bank. However, I must return the bank the due amount within 10 or 20 or 30 days.

If I decide to pay within 10 days, I need to pay

$$\$1,960 \times \left(1 + \frac{0.14}{360} \times 10\right) = \$1,967.62 \text{ to the bank.}$$

If I decide to pay within 20 days, I need to pay

$$\$1,960 \times \left(1 + \frac{0.14}{360} \times 20\right) = \$1,975.24 \text{ to the bank.}$$

In either case, this means I can take advantage of discount as I do not need to pay \$2,000 to them. Thus, it is advantageous to take a loan from bank in this case.