

Note: If the question in the video is labeled with a number, i.e. 1,2,3, please ignore. Questions are labeled in the playlist by number and are in the same order in this pdf.

1. A company expects to sell 16,800 units of a product this year. The cost of placing an order from its supplier is \$45. Each unit is sold at \$217 and the carrying costs are 24% of the purchase price. What is the average inventory on hand for the company?

- a. 85
- b. 50
- c. 60
- d. 170
- e. 120

2. ReCycle Inc. resells bikes to cities such as Toronto. How many orders does the firm place each year, based on EOQ, if it has annual sales of 80,000 bikes, costs per order of \$800, and carrying costs of \$15 per bike?

- a. 146
- b. 27
- c. 982
- d. 5,842
- e. 9

3. The terms of sale are 5 / 10 net 30. If a company forgoes the discount, but pays for a \$100 order on the last allowable day, what is the effective interest rate it is being charged?

- a. 72.21%
- b. 550.26%
- c. 660.31%
- d. 155.00%
- e. 86.65%

4. Zoomer Inc. needs cash quickly to purchase a new warehouse. They agree to sell their \$1,000,000 in accounts receivables to Quick Financing Inc. for \$955,000 cash today. If the average collection period for the receivables is one month, what is the effective annual interest rate that Zoomer Inc. is paying to Quick Financing?

- a. 73.8%
- b. 4.71%
- c. 35.6%
- d. 17.4%
- e. 92.4%

5. The following information of the Ace Manufacturing Company is given:

Annual sales \$10.5 million
Annual cost of goods sold \$8.5 million
Average inventory \$3 million
Average trade receivables \$1.5 million
Average trade payables \$1 million

What is the cash conversion cycle?

- A) 128 days
- B) 138 days
- C) 181 days
- D) 152 days
- E) 172 days

6. Young Vigo Company Limited sells bicycles in Southern Ontario. The wholesale price of a bike is \$800. The sale price is \$1,200 per bike and the annual sales are \$9,600,000. The cost of placing an order is \$600. The annual carrying cost per bike is 2% of the wholesale price. What is the optimal ordering quantity?

- A) 450
- B) 498
- C) 611
- D) 517
- E) 775

7. A firm sells its products on terms of net 30 at \$205 per unit. The present value of production cost is \$135 per unit. The opportunity cost is 1% per month, and there are 30 days per month. It is estimated that only 70% of all orders are eventually collectible. Orders come in 100 units. What is the expected profit per order?

- A) \$850
- B) \$4,900
- C) \$499
- D) \$973
- E) \$708

8. The Anthony Gibson Company purchases goods from its supplier on terms of 1.5/10 net 35. What is the cost of forgoing the trade discount, in terms of EAR?

- A) 21.9%
- B) 24.7%
- C) 18.7%
- D) 15%
- E) 18%

9. Morgan Insurance Co. sells its account receivables to a factor at a 2 per cent discount. The average collection period is one month. What is the implicit effective annual interest rate on the factoring arrangement?

- A) 24.0%
- B) 26.8%
- C) 21.2%
- D) 20.41%
- E) 27.43%

10. Janet needs \$100 per week. She goes to the bank to withdraw money from the automated teller. The bank charges 50 cents per withdrawal. What is the optimal-sized withdrawal if the rate of interest is 3.5%?

- A) \$188
- B) \$193
- C) \$372
- D) \$385
- E) \$200

11. Ignoring defaults, what is the approximate effective cost of factoring if receivables are sold at a 4% discount and the average collection period is 2 months?

- A) 18.54%
- B) 20.05%
- C) 25.02%
- D) 27.75%
- E) 32.68%

12. A firm borrows \$200,000 from the bank for 6 months, but has to maintain a compensating balance of \$15,000 with the bank. The annual interest rate for the loan is 12% (APR). What is the effective annual interest rate on the loan?

- A) 11.03%
- B) 12.45%
- C) 13.39%
- D) 14.41%
- E) 16.28%

13. A firm has estimated that it will need \$3,000,000 net cash during the year. Current interest rate on money market securities is 4 percent per year and the cost of buying and selling securities cost \$20 per transaction. What is the optimal transaction size of securities?

- A) \$40,710.
- B) \$54,772.
- C) \$65,285.
- D) \$92,511.
- E) \$108,225.

14. Roselawn Corp. has \$16.8 million of average inventory, \$4.0 million of average trade receivables, \$5.2 million of average trade payables, an annual cost of sales of \$26.5 million and annual sales of \$48 million. What is the cash conversion cycle of this firm? Please round your final answer to the nearest integer.

- A) 88 days
- B) 125 days
- C) 145 days
- D) 190 days
- E) 261 days

15. Just Snowboards Inc. expects to sell 10,700 snowboards this year. The cost of placing an order from its supplier is \$250. Each unit costs \$50 and carrying costs are 20% of the purchase price. What is the average inventory on hand for the firm?

- A) 180
- B) 366
- C) 422
- D) 731
- E) 844

16. Urban Mowers Inc. currently offers terms of sale of 3/15, net 60. What is the effective interest rate charged to its customers who take the full 60 days to pay?

- A) 3.1%
- B) 11.3%
- C) 18.5%
- D) 24.9%
- E) 28.0%