

Name:

I-06.01

Date:

Section:

The company has a 1-year certificate of deposit, and it is earning 5% interest. The bank has offered to swap this CD for a 1-month CD bearing a 4.5% interest rate.

The company holds significant investments in "trading" securities. These investments have typically yielded about 8% per year. The company can sell these securities and convert the proceeds to cash.

The company carries several million dollars of accounts payable, terms 2/10, n/30. The company always takes the discount, but can delay payment to preserve cash.

The company can begin to offer cash discounts of 1/10, n/30 on its receivables, and anticipates that this would greatly speed cash collections.

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The company maintains a significant investment in postage stamps and travel advances. The company can buy postage "as needed" via an internet linked postage meter, and the company can do away with travel advances and provide key employees with a company

The company is considering establishing a line of credit that enables it to borrow, on demand, up to \$5,000,000 in cash. The bank will charge a \$12,500 annual fee for making this credit line available to the company. Any borrowed funds will accrue inter