

## Assignment

A firm offers terms of 1/10, net 35 ( Customers have 35 days to from the invoice date to pay the full amount; however, if payment within 10 days, a 1 per cent cash discount can be taken).

Calculate the following questions (show your calculations!):

1. What effective annual interest rate does the firm earn, when a customer does take the discount?
2. What effective annual interest rate does the firm earn, when the discount rate is changed to 2 per cent?
3. What effective annual interest rate does the firm earn, when the credit period is increased to 60 days? Use for the calculation the original data again.