

**ADDITIONAL PROBLEM FOR CHAPTER 16**

16-19
Cost of trade credit

Grunewald Industries sells on terms of 2/10, net 40. Gross sales last year were \$4,562,500, and accounts receivable averaged \$437,500. Half of Grunewald's customers paid on the 10th day and took discounts. What are the nominal and effective costs of trade credit to Grunewald's nondiscount customers? (Hint: Calculate sales/day based on a 365-day year; then get average receivables of discount customers; then find the DSO for the nondiscount customers.)

