

Question (20 Points)

Winnie Corp. has an inventory conversion period of 60 days, an average collection period of 38 days, and an account payable period of 30 days. Winnie's annual sales are \$3,421,875 which are all on credit, and cost of goods sold is 75% of sales. Assume a 360-day year.

1. Calculate firm's cash conversion period and the amount of resources or minimum cash needed to support its cash conversion cycle. **(10 Points)**

2. Discuss the importance of the cash conversion cycle and possible management that might be able to reduce the cash conversion cycle. **(10 Points)**