



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

AN AUTONOMOUS INSTITUTION

Accredited by NAAC – UGC with 'A' Grade
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai



DEPARTMENT OF MANAGEMENT STUDIES

23BAT361 – Financial Sourcing Management

PUZZLE

The Vendor Financing Puzzle

Problem: A company is offered vendor financing for a purchase of raw materials worth \$200,000. The terms are 2/10, net 30, which means a 2% discount is offered if the payment is made within 10 days; otherwise, the full amount is due in 30 days.

Question: Should the company take the discount or pay on the 30th day if it can borrow funds at an annual interest rate of 10%?