# Problem 1. Ortiz Manufacturing is considering developing and marketing one of two new products, A and B. It has accumulated the following information about the two products:  Required:

1) Which of these items are relevant to Ortiz's decision about which of these products it will launch?

**Problem 2.** Mae Lee owns a small retail store in Cairo, Georgia. The following summary information regarding expectations for the month of January is provided: As of December 31 there is $500 in the bank and the balance in accounts receivable is $2,500. Budgeted cash and credit sales for January are $3,000 and $2,000, respectively. Ninety percent of credit sales are collected in the month of sale and the remainder is collected in the following month. Mae's suppliers do not extend credit. Cash payments for January are expected to be $12,000. Mae has a line of credit that enables the store to borrow funds on demand. However, funds must be borrowed on the first day of the month and interest paid in cash on the last day of the month. Mae desires to maintain a $500 cash balance before consideration is given to the payment of interest. Mae's bank charges annual interest of 12% per year.

Required:

1) Compute the amount of funds that needs to be borrowed.
2) Compute the amount of interest expense that will appear on the January 31 pro forma income statement.