**Unit 5 Written Assignment:**

Answer the following:

1. What are two problems that may be caused by too much working capital, and what are two problems that may be caused by too little working capital?

2. What are the relative advantages and disadvantages of a conservative asset financing policy and an aggressive asset financing policy?

3. What potential risks might there be in purchasing marketable securities with excess cash?

4. Using the following information, compute the Days in Accounts Receivable amounts **for the end of each quarter**:

 **Accounts Receivable**

 **Month Revenues at End of Quarter**

 January $350,000 $275,000

 February 375,000 290,000

 March 225,000 200,000

 1st Quarter Total $950,000 $765,000

 April $300,000 $270,000

 May 320,000 310,000

 June 400,000 320,000

 2nd Quarter Total $1,020,000 $900,000

 July $350,000 $335,000

 August 275,000 250,000

 September 200,000 150,000

 3rd Quarter Total $825,000 $735,000

 October $310,000 $300,000

 November 425,000 285,000

 December 290,000 240,000

 4th Quarter Total $1,025,000 $825,000

5. Explain, using examples, the differences between equity financing and debt financing.

6. Name two types of long-term **debt** financing and list the relative advantages and disadvantages (to the borrower) of each.

7. Name two types of long-term **equity** financing and list the relative advantages and disadvantages (to the borrower) of each.