

A company needs \$150,000 each year for regular payments. Converting the company's short-term investments into cash to meet these regular payments incurs a fixed cost of \$400 per transaction. These short-term investments pay interest of 5% per year, while the company earns interest of only 1% per year on cash deposits.

According to the Baumol Model, what is the optimum amount of short-term investments to convert into cash in each transaction?

- A \$38,730
- B \$48,990
- C \$54,772
- D \$63,246