

Payment Terms Evaluation Table

Payment Terms	Notes	Disc %	# Days/Due	Interest Rate	Benefit per \$100 of Invoice
Net 10 days		0.0%	10	5.0%	0.137
Net 15 days		0.0%	15	5.0%	0.205
Net 20 days		0.0%	20	5.0%	0.274
Net 30 days		0.0%	30	5.0%	0.411
Net 45 days		0.0%	45	5.0%	0.616
Net 60 days		0.0%	60	5.0%	0.822
Net 31st Prox		0.0%	38.5	5.0%	0.527
0.5% 10 Days		0.5%	10	5.0%	0.637
0.5% 15 Days		0.5%	15	5.0%	0.705
0.5% 20 Days		0.5%	20	5.0%	0.774
0.5% 10th & 25th	**	0.5%	17.5	5.0%	0.740
0.75% 10 Days		0.75%	10	5.0%	0.887
0.75% 15 Days		0.75%	15	5.0%	0.955
0.75% 20 Days		0.75%	20	5.0%	1.024
0.75% 30 Days		0.75%	30	5.0%	1.161
1.0% 10 Days		1.0%	10	5.0%	1.137
1.0% 15 Days		1.0%	15	5.0%	1.205
1.0% 20 Days		1.0%	20	5.0%	1.274
1.0% 30 Days		1.0%	30	5.0%	1.411
1.0% Net 10th & 25th prox		1.0%	32.5	5.0%	1.445
1.0% 10th & 25th	**	1.0%	17.5	5.0%	1.240
1.25% 10 Days		1.25%	10	5.0%	1.387
1.25% 15 Days		1.25%	15	5.0%	1.455
1.25% 20 Days		1.25%	20	5.0%	1.524
1.25% 30 Days		1.25%	30	5.0%	1.661
1.5% 10 Days		1.5%	10	5.0%	1.637
1.5% 15 Days		1.5%	15	5.0%	1.705
1.5% 20 Days		1.5%	20	5.0%	1.774
1.5% 30 Days		1.5%	30	5.0%	1.911
1.75% 10 Days		1.75%	10	5.0%	1.887
1.75% 15 Days		1.75%	15	5.0%	1.955
1.75% 20 Days		1.75%	20	5.0%	2.024
1.75% 30 Days		1.75%	30	5.0%	2.161
2.0% 10 Days		2.0%	10	5.0%	2.137
2.0% 15 Days		2.0%	15	5.0%	2.205
2.0% 20 Days		2.0%	20	5.0%	2.274

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2.0% 10th & 25th	**	2.0%	17.5	5.0%	2.240
2.0% 15th & 31st	***	2.0%	23.5	5.0%	2.322
2.0% 30 Days		2.0%	30	5.0%	2.411
4.0% 10th & 25th	**	4.0%	17.5	5.0%	4.240
5.0% 30 Days		5.0%	30	5.0%	5.411

EXAMPLE in use:

Supplier currently offers Net 30 day terms (worth \$0.411 per \$ 100 of invoices).

Supplier proposes Net 45, 1% 15 terms:

Net 45 is worth \$0.616 per \$ 100 of invoices
1% 15 is worth \$1.205 per \$ 100 of invoices

Assessment: Both elements of the new terms (net, discount) are more attractive than the old terms. The discount option would be the preferred option in this situation.

NOTES:

- * Calculations reflect the value per \$ 100 of invoice, compared to paying immediately (on the invoice date). Calculations are based on the following formula:

Value of Net Days = [(no. of days)/365] x \$ 100 x interest rate

Example: Net 30 days value = [(30/365)] x \$ 100 x .05= \$.411

Value of Discount Terms = Value of Days + Value of Discount

Example: 1% Net 15 Value = \$.205 + \$ 1.00 = \$ 1.205

Note: check periodically with your Treasury or Finance department regarding their view of the appropriate interest rate, and whether they have an alternate calculation method they prefer you use.

- ** Invoices dated in the first 15 days of the month payable 25th of the month
Invoices dated after 15th of the month payable 10th of the next month
- *** Invoices dated in the first 15 days of the month payable 31st of the month
Invoices dated after the 15th of the month payable 15th of the next month