

Computing for Cash Discount

Key Components of an Invoice

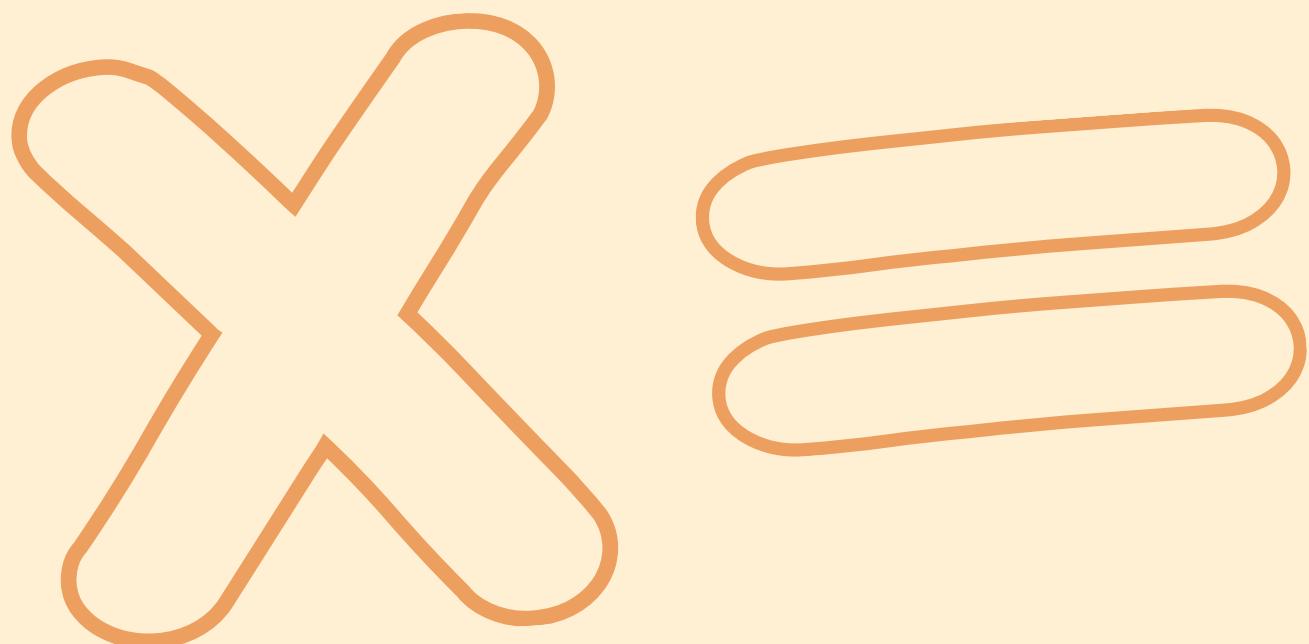
Rate Discount: A percentage of the net amount of the invoice

Discount Period: The window of time during which a cash discount is applicable

Credit Period: The total time allowed to pay the full invoice amount

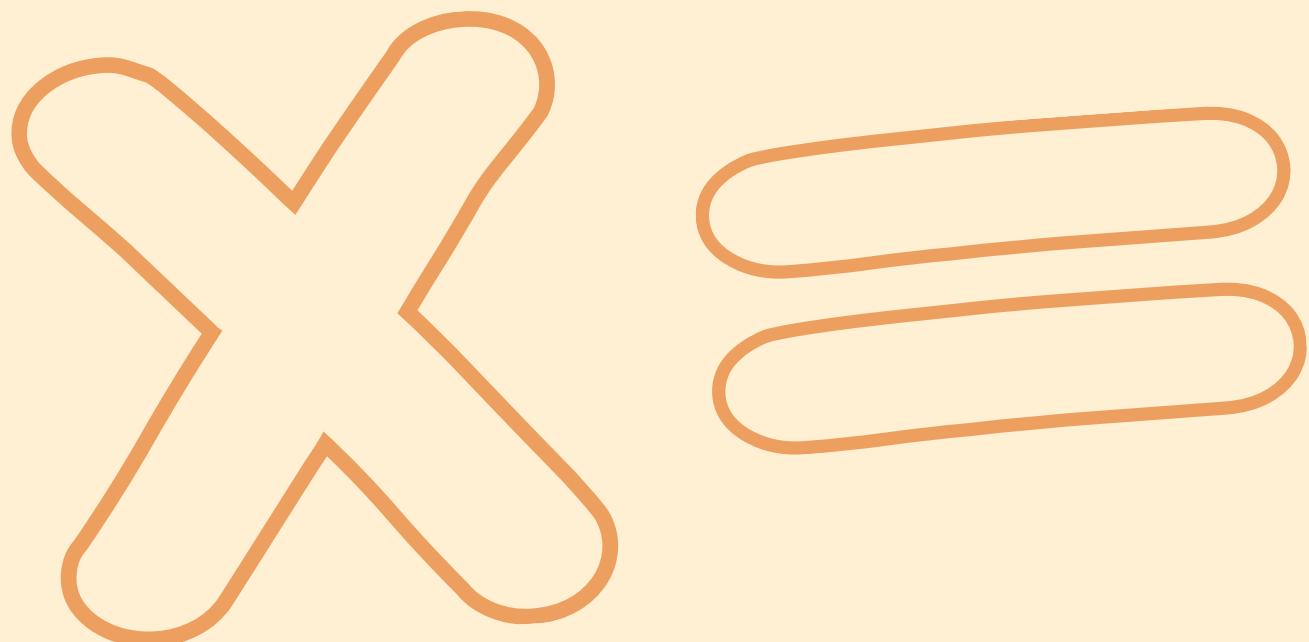


Three Types of Cash Discount Dating



1. Ordinary Dating: Payment terms are based strictly on the invoice date. For example, "2/10, n/30" means a 2% discount if paid within 10 days, otherwise the full amount is due in 30 days

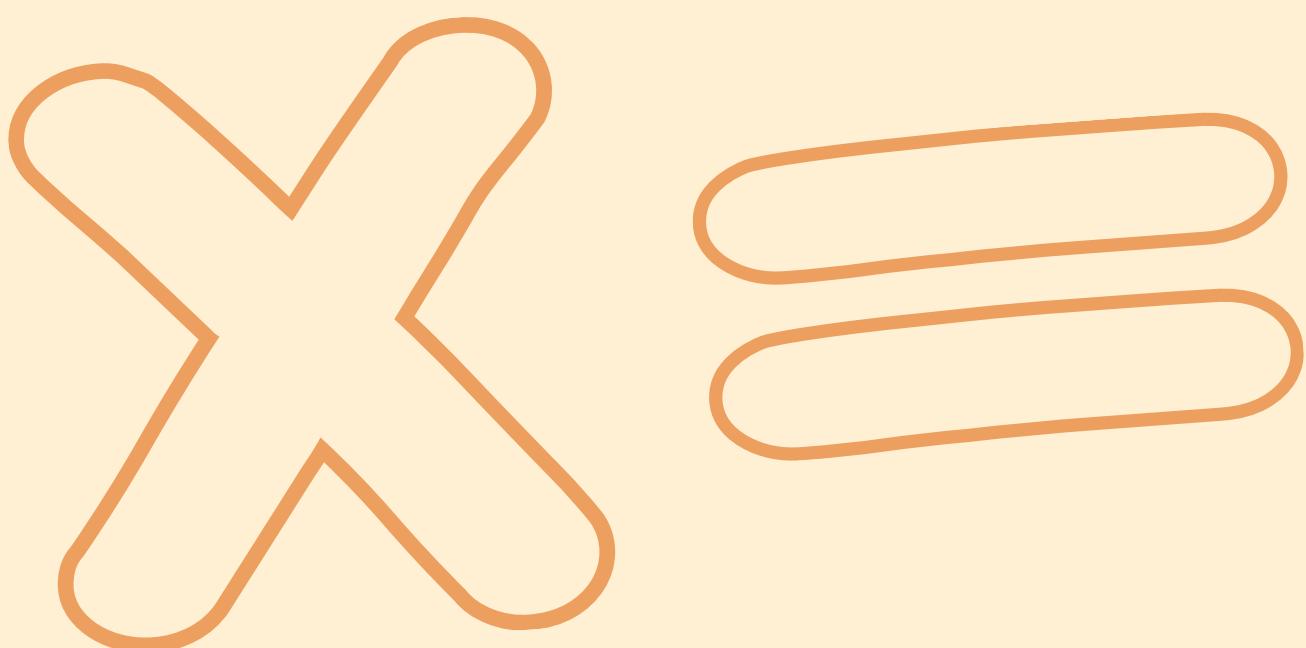
Three Types of Cash Discount Dating



2. End of Month (EOM)

Dating: The invoice date is shifted to the last day of the month. The discount period begins after that date

Three Types of Cash Discount Dating



3. Receipt of Goods (ROG)

Dating: The discount and credit periods begin the day after the merchandise is actually received. This is often used when shipping takes a long time



Important Formulas

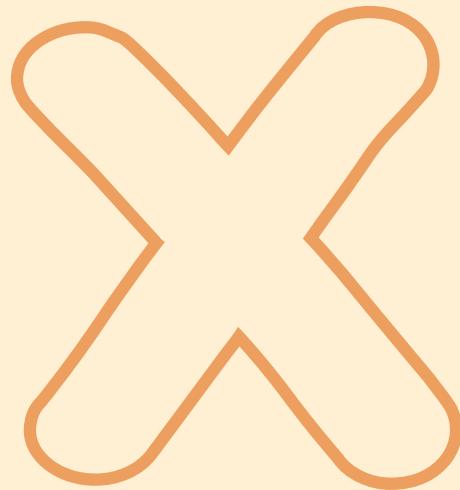
Cash Discount = Net Price \times Discount Rate

Amount Payable = Net Price \times (1 - Discount Rate)

Examples Provided

Example

EOM Example: An invoice for 12,800 dated July 26 with terms "2/10 EOM" paid on August ~~10~~. Since August 10 falls within the 10-day window starting from the end of July (July 31), a 2% discount is applied, resulting in an amount payable of 12,544



ROG Example: An invoice for 84,650 dated July 10 but received August 15 with "3/10 ROG" terms. The last day to get the discount is August 25. If paid by then, the amount is 82,110.50

THANK YOU