

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	PENALTY COMPUTATION	Ref. No.
DEPARTMENT :	ACCOUNTING DEPARTMENT	ACT-16-01-003
TO :	AC / CASHIER / CS / BM	

OBJECTIVE

1. To discourage customers from maintaining a delinquent account
2. To differentiate the delinquent account against up-dated or current account
3. In order for delinquent customer to know the consequences of not paying on time the monthly installment due him/her.

POLICIES

1. A five (5%) percent penalty charges shall be imposed on monthly installment not paid on its due date.
2. The customer will be given five (5) days grace period after his /her due date, to pay his obligation without penalty charges. However, the customer will no longer be entitled to PPD even payment was made to the branch office.
3. The customer's payment will first be applied to penalty charges before principal loan or PN balance.
4. Penalty charges are *BILLED* automatically in our Branch Monitoring System (BMS) which will be the basis of distribution of customer's payment. The basis of computing and billing of penalty charges shall be the "Due Date" of the customer.
5. The AC should always have the information of the penalty amount that has been billed to the customers before going on field work. Therefore, the AC must obtain the total amount due, monthly installments and penalty charges, to the customer from the branch BMS or records.
6. On field collections, if the AC failed to indicate the penalty charges in the Collection/Official Receipt that he have issued, no alterations can be made unless said alteration can be reflected in the original copy. Nevertheless, the customer's payment shall first be applied to penalty charges due from the customer in the BMS.
7. The branch should collect as much of the penalty charges and waiver of the penalty is not allowed unless approved by top management. Furthermore, a branch known for waiving penalty charges, through words of mouth, it will spread with the resident in the

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area and may change their paying habits and effect branch collections and increase their delinquency.

PROCEDURE

The penalty charges shall be determined on a straight line method, shown as follow;

a. Given:

Monthly Installment: P 2,850.00
Overdue: P 10,550.00

b. Computation:

MI Amount		Rate	No. of Mos. Due	Penalty Amount
P 2,000.00	x	5%	x 4	= P 400.00
P 2,850.00	x	5%	x 3	= 428.00
P 2,850.00	x	5%	x 2	= 285.00
P 2,850.00	x	5%	x 1	= 142.00
				<u><u>P 1,255.00</u></u>

c. Below shows application of **PENALTY CHARGES** using the **SAMPLE BMS CUSTOMER LEDGER**:

	Inst. No.	Due Date	Paid Date	OR No.	Amount Received	Rebate	Penalty	Credited M.I.	Balance
c.1 {	1	01/01/13	12/31/12	001	1,859	200		2,059	72,065
	2	02/01/13	02/01/13	002	1,859	200		2,059	70,006
c.2 —	3	03/01/13	03/05/13	003	2,059			2,059	67,947
c.3 —	4	04/01/13	04/11/13	004	2,059		103	1,956	65,991
c.4 {	4	04/01/13	05/15/13	005	2,000		10	103	65,888
	5	05/01/13	05/15/13	005			103	1,784	64,104
c.5 {	5	05/01/13	06/01/13	006	2,059		14	275	63,829
	6	06/01/13	06/01/13	006				1,770	62,059
c.6 {	6	06/01/13	07/01/13	007	2,162		14	289	61,770
	7	07/01/13	07/01/13	007		200		2,059	59,711

c.1 In installments 1 and 2, the customer has availed of the Prompt Payment Discount since payments were made on or before due date.

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c.2 On customers 3rd monthly installment, payment was made after the due date but within the 5 days grace period, thus, not subject to penalty charges.

c.3 The 4th monthly installment was paid after due date and after grace period subjecting the customer to 5% penalty charges computed as follows;

Penalty Charges	P 2,059.00 x 5%	=	102.95 or 103.00
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i. The customer's payment application will be;

Customer's Payment per OR no. 004 dated April 11, 2013	P 2,059.00
Less : Penalty Charges	103.00
Amount Applied to the Principal or Outstanding Balance	P 1,956.00
Monthly Installment Due	2,059.00
OVERDUE AMOUNT UNPAID	103.00

c.4 The May 15, 2013 payment includes full payment of the 4th MI and partial payment on the 5th monthly installment. In this case, the overdue amount in the 4th MI of P 103.00 is subject to P 10.00 penalty charges covering two-(2) months, from April 1 and May 1 computed as $103.00 \times 5\% \times 2 \text{ Months}$. The penalty charges due to the customer will be P 113.00 (P 103.00+ 10.00).

i. The customer's payment application will be;

Customer's Payment per OR no. 005 dated May 15, 2013	P 2,000.00
Less : Penalty Charges	113.00
Amount Applied to the Principal or Outstanding Balance	P 1,887.00
Monthly Installment Due	
Full 4 th MI	103.00
5 th MI	2,059.00
OVERDUE AMOUNT UNPAID 5 TH MI	275.00



c.5 The application of customer's payment on June 1, 2013 per OR no. 006 will be as follows;

Customer's Payment	P 2,059.00
Less: Penalty Charges on 5 th MI (275x5%)	14.00
Full 5 th MI	275.00
Partial Payment for 6 th MI	1,770.00
6 th MI	2,059.00
OVERDUE AMOUNT UNPAID 6 TH MI	289.00

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c.6 The payment of the customer on July 1, 2013 will be applied as follow;

Customer's Payment		P 2,162.00
Less: Penalty Charges on 6 th MI (289x5%)	14.00	
Full 6 th MI	289.00	303.00
Partial Payment for 6 th MI		1,859.00
Add: PPD for 7 th MI		200.00
6 th MI		2,059.00
7 th MI		2,059.00
AMOUNT DUE		0.00

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