

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	OPTION TO CASH (OTC) COMPUTATION	Ref. No.
DEPARTMENT :	ACCOUNTING DEPARTMENT	ACT-16-01-004
TO :	MA / CASHIER / BM	

OBJECTIVE

1. To guide the branch in the computation of the value of an Option to Cash Scheme on the equivalent Promissory Note Value of a six-(6) month term.
2. To standardize the computation of Option to Cash Scheme or short term 90 days sale.

POLICIES

1. This scheme is only effective up to 90 days and the start will be the delivery date of the motorcycle unit to the customer.
2. The customer has to pay an initial cash outlay of thirty (30%) percent or more of the Suggested Retail Price.
3. The LTO registration, CTPL insurance and other incidental expenses will be borne by the company, if the account is settled within 15 days; else, the aforementioned expenses will be charged and collected from the customer.
4. No Sales Discount shall be given on Option Sales, discount are only given on spot cash sales.
5. If the full payment was made after the 90 days period, the pre-termination scheme will be applied.
6. No interest shall be charged to the customer if paid within 15 days, else the following interest rate shall be used in the computation of Option to Cash Scheme;

No. of Days	Interest Rate
16 to 30	3.0%
31 to 60	6.0%
61 to 90	9.0%

The interest computation shall commence at the time of delivery of the motorcycle unit to customer.

7. Any subsequent payment after the initial cash outlay of the customer will not affect the interest to be charged to the customer on his/her last payment.
8. Regular installment scheme can also be entitled to OTC as long as it is within 90 days from the date of delivery.

Prepared by: Rizell Segovia	Approved by: Richmond Ngan Executive Officer	Effective January 2016	Page 1 of 3
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PROCEDURE

1. Cashier

- 1.1. When the customer opted to avail of the Option-to-Cash (OTC), compute for the equivalent Monthly Installment and Promissory Note Value converting the Suggested Retail Price (SRP) to List Cash Price based on six-(6) months term.

1.1.1. Sample Computation

1.1.1.1. Given

SRP	44,000.00
Delivery Date	March 22, 2014

1.1.1.2. Computation

SRP		44,000.00
Add: 5% Margin (44,000 x 0.05)		<u>2,200.00</u>
LCP		46,200.00
Less: Down Payment (44,000 x 0.30)	13,200.00	
LTO & Insurance	<u>2,000.00</u>	
Net DP		<u>11,200.00</u>
Amount to be Financed		35,000.00
Add: Interest (35,000 x 0.0148 x 6)	3,108.00	
PPD (200.00 x 6)	<u>1,200.00</u>	<u>4,308.00</u>
Promissory Note Value (PNV)		39,308.00
÷ Term		<u>6</u>
Monthly Installment		<u>6,551.33</u>
Or (Rounded Off)		<u>6,551.00</u>

1.1.1.3. The Promissory Note Value (PNV) is computed as follow;

Monthly Installment		6,551.00
Term	x	<u>6</u>
PNV		<u>39,306.00</u>

- 1.2. When the customer had fully paid within ninety-(90) days, compute for the amount due and payable using the following computation based on the same given;

1.2.1. Paid in full on April 3, 2014

1.2.1.1. Number of Days

The number of days is from date delivered to full payment date and any partial payment has no bearing in the computation of the latter.

Particulars	Days
No. of days in the month of March	31
Less: Date Delivered	<u>22</u> 9
Full Payment Date	<u>3</u>
Number of days	<u>12</u>

Prepared by: Rizell Segovia	Approved by: Richmond Ngan Executive Officer	Effective January 2016	Page 2 of 3
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The aforesaid number falls in the range of 1 to 15, thus no interest will be charged and LTO registration and insurance will be borne by the company.

1.2.1.2. Amount Due and Payable

Suggested Retail Price	P 44,000.00
Less: Down Payment (44,000 x 30%)	<u>13,200.00</u>
Amount Due from the customer 04-03-14	30,800.00

1.2.2. Partial Payment of P20, 000 on 04-03-14 & Full Payment on 05-14-14

1.2.3.1. Number of Days

The number of days is from date delivered to full payment date and any partial payment has no bearing in the computation of the latter

Particulars	Days
No. of days in the month of March	31
Less: Date Delivered	<u>22</u> 9
No. of days in the month of April	30
Full Payment Date	<u>14</u>
Number of days	53

The aforesaid number fall in the range of 30 to 60, thus interest of 6% will be charged and LTO registration and insurance will be borne by the customer.

1.2.3.2. Amount Due and Payable

Suggested Retail Price	P 44,000.00
Down Payment	13,200.00
Less: Registration	<u>2,000.00</u> <u>11,200.00</u>
Amount Due	32,800.00
Add: Interest Charges (32,800 x 6%)	<u>1,968.00</u>
Total Amount Due	34,768.00
Less: Partial Payment 04-03-14	<u>20,000.00</u>
Amount Still Due and Payable 05-14-14	14,768.00

1.2.3. If closure of the account will be made after ninety-(90) days, compute for the amount due to the customer based on pre-termination scheme.

1.3. Post closure of the customer's account through Option-to-Cash in the Branch Monitoring System upon payment of the customer.

Prepared by: Rizell Segovia	Approved by: Richmond Ngan Executive Officer	Effective January 2016	Page 3 of 3
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