

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	PRETERMINATION COMPUTATION	Ref. No.
DEPARTMENT :	ACCOUNTING DEPARTMENT	ACT-16-01-005
TO :	CASHIER / BM	

OBJECTIVE

1. To determine the amount due from the customer who opted to close the account before the end or maturity of the financing contract.
2. To guide and standardize the computation of a pre-terminated account

POLICIES AND PROCEDURE

1. Number of Months Account has Run

1.1 Definition

The number of months account has Run (NAR) is a time interval or a period between the First Due Date (FDD) and the Pre-termination date. This is the basis of computing the rebated or discounts to be given to the customer for pre-terminating his account.

As a matter of policy, any fraction of a month shall be considered as a whole month in determining the number of months' accounts has run. Also if difference of terms and NAR is less than four (4) months, pre-termination is not applicable anymore.

Furthermore, in case of assumption of account, the original first due date shall be the basis in computing the pre-terminated amount.

1.2 Formula

$$\begin{aligned} \text{Number of Months Account Has Run (NAR)} &= (\text{Pre-Termination Date} - \text{First Due Date}) + 1 \\ \text{Pre-termination Date} &= \text{YY} + \text{MM} + \text{DD} \end{aligned}$$

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$$\begin{array}{lcl} \text{First Due Date} & = & \text{yy} + \text{mm} + \text{dd} \\ \text{NAR} & = & \underline{\underline{\text{xx} + \text{xx} + \text{xx}}} + 1 \end{array}$$

2. Sample Computation

GIVEN:

PNV	:	P 55,632.00
ATBF	:	P 45,200.00
Term	:	12 Months
MI	:	P 4,636.00
Outstanding Balance (OB)	:	P 41,724.00
FDD	:	March 16, 2014
Pre-Term Date	:	October 10, 2014

SOLUTION:

2.1 Compute for Number of Months Account Has Run (NAR)

		Less 1 Month =
Pre-term Date	2014 - 10 - 10	Borrow 1 Month (30)
First Due Date	<u>2014 - 03 - 16</u>	
	0 - 6 - 24	Rounded to 1 Month
	6 + 1 + 1	Constant

2.1.1 If the resulting number of days is equal or lower than five (5) the number will be rounded off to zero and for 6 or higher, the number will be rounded up to 1 month, thus the resulting number on the above mentioned computation is "24" therefore the rounded up number no. is 1 month.

2.2 Compute for PN using NAR as New Term

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Amount to be Financed	45,200.00
Add: Interest	5,361.68 (45,200 x 1.48% x 8)
Total PPD	<u>1,600.00 (200 x 8)</u>
PN	52,151.68

2.2.1 Compute for MI Paid

PNV	P 55,632.00
Less: OB	<u>41,724.00</u>
MI Paid	P 13,908.00
MI	<u>÷ 4,636.00</u>
Number of MI Paid	2 MIs

2.3 Compute for Penalty

A five (5%) percent penalty charges shall be imposed on monthly installment not paid on its due date.

Based on Given Data:

NAR	8 Months
Less: MI Paid	3 Months
MI Due	5 Months


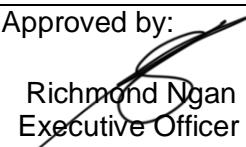
Computation:

Based on the given sample, the 8th MI is due currently thus not subject to penalty. Only 4 Monthly Installments are subject to penalties.

4,636.00	x	4	x	5%	=	927.20
4,636.00	x	3	x	5%	=	695.40
4,636.00	x	2	x	5%	=	463.60
4,636.00	x	1	x	5%	=	<u>231.80</u>
Total Penalty Amount						2318.00

2.4 Computation of Pre-termination Amount

PN (based on NAR)	52,152.00
Less: MI Paid	13,908.00
Total	38,244.00
Add: Penalty	<u>2,318.00</u>
Pre-Term Amount	<u>40,562.00</u>

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