

Branch Operations Training

Accounting Department

Objective:

- To familiarize the branch with the policies and procedures in connection with accounting department

Background:

- Accounting department is in charge of collecting data and keeping record of all kinds of branch transactions in our branch monitoring system in order to generate collection, sales and inventory reports.
- Organization Structure



Branch Policies and Procedures:

- Monthly Inventory Report and Documentation
- Book Value
- Due Date
- Option to Cash
- Pre-termination
- Prompt Payment Discount
- Penalty Computation

Monthly Inventory Report and Documentation

- Issuance of proper documents must be done as transaction or movement of inventory occurs.
- Daily Inventory Report must be maintained
- Every 5th of the month – Submission of Hard Copy of Monthly Ending Inventory Report attached with the actual stencil.

Receiving Report (RR)

- This is being used when receiving a unit from:
 - Head Office or MMPI Warehouse
 - Other Branches
 - Surrendered MC Plan or Service Unit
 - Reporting or moving a repo unit inventory to service unit inventory or vice versa

Delivery Receipt (DR)

- This is being used when
 - Transferring Unit to other Branches
 - For Approved MC Plan
 - Backload to Head Office or MMPI Warehouse
 - Sales
 - Redeem Unit
 - Reporting or moving a service unit inventory back to repo inventory or vice versa

Pull Out Order (POO)

- This is being used when a customer surrenders the financed motorcycle

Transmittal Report (TR)

- This is being used when transferring a unit from the main branch to Satellite or Display Center

Book Value

Description

- This is the unrecovered cost of the amount financed or amount loaned by the customer.

- Repossessed motorcycle unit with book value of P 10,000 and below shall be sold on Cash Basis only and will not be accommodated for installment sales.
- In the book value computation, account set up of the Last Customer will be the basis in determining the Amount to be Financed (ATBF), Terms and No. of Months paid.

- The refinancing of repossessed motorcycle shall be based on book value pegged @ 1.25% interest rate EXCEPT for units with ages six-(6) months and below (according to SI Date) which should be pegged @ 1.48% interest rate or must be disposed through Assumption Scheme.

Formula for Book Value

$$\text{Book Value} = ATBF \times \left(1 - \frac{MnthsPd}{Term} \right) \text{ or}$$

$$\text{Book Value} = ATBF - \left(\frac{ATBF}{Term} \times MnthsPd \right)$$

Net MI

Note:

Answer should be rounded to the nearest ones place.

Example

Given:

ATBF = 35,000

Term = 12

Months Paid = 4

Look for the Book Value

Solution

Given:

ATBF	=	35,000
Term	=	12
Months Paid	=	3,000

Use Formula:

$$\text{Book Value} = \text{ATBF} - \left(\frac{\text{ATBF}}{\text{Term}} \times \text{MnthsPd} \right)$$

Replace:

$$\begin{aligned}\text{Book Value} &= 35,000 - \left(\frac{35,000}{12} \times 4 \right) \\ &= 35,000 - (2,916.67 \times 4) \\ &= 35,000 - 11,666.67\end{aligned}$$

$$\text{Book Value} = 23,333 \text{ (Rounded Off)}$$

Due Date

Description

- Due date represents the expected day a customer has to pay the monthly amortization due to him for a Promissory Note he has issued in favor of the Company for a purchase of a motorcycle or scooter in installment basis.

- As a matter of policy, the first due date must fall 30 days or one month after delivery date of the motorcycle unit.
- If delivery date falls between 26 to end of the month, the customer may opt to choose 1 of month after next to be his first due date.
- Change of due date within fifteen (15) days from his first due date but in no case exceed 45 days.

Option to Cash

Description

- This Scheme is the conversion of six (6) Months term to Cash Sales within ninety (90) Days period. Cash option scheme to accommodate and save the sales to these types of Customers.

- At least 30 % minimum Down payment of SRP.
- If exceed within 15 Days, LTO will be deducted from Down Payment.
- Under 6 months term contract.
- No interest if settled within 15 days and 2,000.00 LTO registration.
- Ninety (90) days limit
- For Repo Unit, OTC is allowed only for 15 Days.

No. of Days	Interest Rate
	All Branches (nationwide)
1 to 15	0 % & Free LTO
16 to 30	3.0 % + LTO Reg.
31 to 60	6.0 % + LTO Reg.
61 to 90	9.0 % + LTO Reg.

GIVEN:

List Cash Price (LCP)	:	P	46,200.00
Suggested Retail Price (SRP)	:	P	44,000.00

REQUIRED DOWNPAYMENT

SRP	44,000.00
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Minimum DP	30 %
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Down Payment	<hr/> 13,200.00
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1 to 15 Days

SRP	44,000.00
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Less: Down Payment	13,200.00
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Due to Customer	30,800.00
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16 to 90 Days

SRP		44,000.00
Less: Down Payment	13,200.00	
Less: LTO	2,000.00	11,200.00
Balance		32,800.00
Add: Interest (32,800 x 3%)		984.00
Due to Customer		33,784.00

Note: Follow Interest Rate Based on No. of Days

Pre-Termination

DESCRIPTION

- This is a procedure when a customer opted to terminate the contract before its maturity.

NUMBER OF MONTHS ACCOUNT HAS RUN (NAR)

- 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 rebates or discounts to be given to the customer for pre-terminating his account.
- As a matter of policy, any fraction of a month of 1 to 5 days is considered as “0” and 6 to 30 is considered as a whole month in the determining the number of months' accounts has run.

Pre-Termination

1. Compute for NAR or Number of Months Account has Run.
2. Compute for PN using NAR then,

PN

Less: MI Paid

Add: Penalty

PreTerm Amount

Given:

PNV	:	55,632.00
ATBF	:	45,200.00
Terms	:	12 Months
MI	:	4,636.00
OB	:	41,724.00
First Due Date	:	March 16, 2016
Cut-Off Date	:	October 10, 2016

Step 1: Look for NAR

Use Formula:

$$\frac{\begin{array}{r} \text{Pre-term Date (Month)} \\ - \text{First Due Date (Month)} \\ + 1 \text{ Constant (Month)} \end{array}}{\text{No. of Months Run}}$$

Less 1 Month
= 9

Borrow 1
Month (30
Days)
= 40

Y		M		D
16	-	10	-	10
16	-	03	-	16
<hr/>				
0		6		24

No. of days:
0 to 4 = 0
5 and up = 1

$$= \begin{array}{ccccccc} & & 6 & + & 1 & + & 1 \\ \text{NAR} & = & & & \text{8} & & \end{array}$$

Constant

Step 2: Compute for New PN Using NAR as Term

Amount to be Financed		45,200.00	
Add: Finance Charge	+	5,351.68	(ATBF x IntR x Terms) (45,200 x 1.48% x 8)
Total PPD	+	1,600.00	(PPD x Terms) (200 x 8)
New PN		52,151.68	

Step 3: Compute for MI Paid

PNV		P	55,632.00
Less: OB			41,724.00
MI Paid			<hr/>
		P	13,908.00
MI	÷		4,636.00
			<hr/>

Number of MI Paid

3 MIs

Step 4: Compute for Penalty

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	x	4	x	5 %	=	927.20
4,636	x	3	x	5 %	=	695.40
4,636	x	2	x	5 %	=	463.60
4,636	x	1	x	5 %	=	231.80
						<hr/>
						2318.00

Solution

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

Prompt Payment Discount (PPD)

Definition

- A Prompt Payment Discount is a contingent liability set-up by the company for rebates granted to Customer to encourage payment on or before due date and subject to obtain terms and conditions

Conditions

- The customer's account is up-to-date.
- Installment paid on or before due date.
- Installment amount is paid in the Branch or Main Office.

Penalty Computation

PENALTY CHARGES

- To discourage customers from maintaining a delinquent account, a PENALTY CHARGE shall be imposed upon them, in contrary to a rebate or PPD which is given to customer to encourage them in maintaining up-dated account.

- 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.
- The customer's payment will first be applied to penalty charges before principal loan or PN balance.

- The collected penalty charges shall be considered as other income.
- The penalty charges shall be determined on a straight computation basis.
- The AC should always have the information of the penalty amount that has been charged to the customers before going on field work.

Penalty Computation

MI Amount		Rate		No. Mos. Due		Amount
<hr/> P 2,850.00	x	<hr/> 5%	x	<hr/> 3	x =	<hr/> P 428.00
P 2,850.00	x	5%	x	2	x =	285.00
P 2,850.00	x	5%	x	1	x =	142.00
TOTAL PENALTY						<hr/> 855.00

Restructure

- The terms and condition of the restructuring scheme should be explained and fully understood by the customer including the consequence on his/her failure to meet the set conditions
- The agreed scheme shall be covered by Restructuring Computation Sheet to be approved by the Regional Manager and no new financing contract will be issued.

- The following charges shall be collected from the customer for any restructured account:
 - Five (5%) percent one time penalty charge to be based on accumulated overdue monthly installments.
- In addition to the penalty and interest charges, the customer is required to update any partial delinquency on his monthly amortization and/or one (1) monthly amortization.

- The customer has defaulted on at least three (3) installment payments due to verifiable prior financial difficulties. Moreover and upon verification, the customer has little or no means to pay much more to update his accumulated overdue installments.
- The customer has paid at least six (6) monthly installments.

- The subsequent monthly installment will be thirty (30) days after the actual date of payment of the required initial payment; however, if the restructuring falls on the 26th to end of the month, the customer's next due date will be on 1st day after next of the following month.

- The customer's account maybe restructured only once.
- The adjustment of the customer's status to current will be in effect on the Aging of the following month.

- The customer shall pay the following before the restructuring scheme takes effect:

1. Penalty Charges;
2. Full payment of partial amortization; and
3. First monthly amortization.

- Restructuring Computation Sheet

BRANCH NAME
RESTRUCTURING COMPUTATION SHEET

Account No.:	_____	Date:	_____
Customer's Name:	_____	Model:	_____
Address:	_____	Engine No.:	_____
	_____	Chassis No.:	_____
Term	_____	Plate No.:	_____
Original M.I.	_____	SI No.:	_____
Collectible Amount:	_____	SI Date:	_____
No. of Mos. Overdue	_____	Last Payment	_____

I. COMPUTATION

Penalty Charges on total overdue amount	_____
Full payment of partial Amortization	_____
One full Monthly Amortization	_____
TOTAL AMOUNT DUE TO RESTRUCTURE THE ACCOUNT	_____

II. Remaining Terms: _____

III. Outstanding Balance: _____

In case of subsequent delinquency after restructuring of the account will rescind agreement and the account will be reverted back to the original contract and will be subject to immediate repossession of financed motorcycle unit.

Conforms: _____
Customer Signature

Prepared by:	Checked by:	Noted by:	Approved by:
_____ ACTCS	_____ Cashier	_____ Area Manager	_____ Regional Manager

Reconstruct

- The reconstruction of account shall be subject to the following:
 1. The new Monthly Installment will depend on the capacity to pay by the customer and established term by the Company and at any juncture should not exceed the maximum term of 36 months.
 2. The customer shall pay the first monthly amortization before the reconstruction scheme takes effect.

3. The subsequent monthly amortization must be thirty (30) days after the actual date of payment of the required initial payment; however, if the reconstruction falls on the 26th to end of the month, the customer may opt to choose the next due date on 1st day after next of the following month.

- New term should follow 6, 12, 18, 24, 30 and 36 months
- New term should not exceed 36 months

- Reconstruction Computation Sheet

**MIT SUKOSHI MOTORS PHILIPPINES INC.
RECONSTRUCTION COMPUTATION SHEET**

Account No.:	_____	Date:	_____
Customer's Name:	_____	Model:	_____
Address:	_____	Engine No.:	_____
	_____	Chassis No.:	_____
Term	_____	Plate No.:	_____
Original M.I.	_____	SI No.:	_____
Overdue Amount:	_____	SI Date:	_____
No. of Mos. Overdue	_____	Last Payment	_____

I. COMPUTATION

Outstanding Balance		P	_____
Add: Penalty Charges	P		_____
Reconstruction Fee	P		_____
Total		P	_____
Divide: New Term			_____
New Monthly Installment		P	=====
New Monthly Installment		P	_____
Term	x		_____
New Promissory Note Value		P	=====

II. New First Due Date: _____

In case of subsequent delinquency after reconstruction of the account will rescind this agreement and the account will be reverted back to the original contract and will be subject to immediate repossession of financed motorcycle unit.

Conforme:

Customer Signature

Prepared by:

Checked by:

Noted by:

Approved By:

AC/CS

Cashier

Area Manager

Regional Manager