Supplier Payment Terms

How-to guide: what the workbook does, how to use it and what every number means. mfgcalcs.com

Supplier Payment Terms

Work out the working capital and financing value of changing payment terms with every supplier, net of transition costs, and whether each early-payment discount beats your cost of money.

For: Procurement and purchasing managers, finance and treasury teams, controllers and owners of manufacturing businesses negotiating supplier terms.

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Quick start

1. On Setup, type your company, currency and annual financing rate.
2. On Suppliers, give each supplier a row: annual spend, current and proposed payment days, any one-time transition cost, and any early-payment discount on offer.
3. Fix anything the Check column names.
4. Open the Dashboard: working capital released, the financing benefit, the suppliers that do not pay back in year one and the discounts worth taking.

What is in the workbook

Start Here	Read this first: what the workbook does and how to use it.
Setup	Company, currency and the annual financing rate every supplier's working capital is valued at.
Suppliers	One row per supplier: spend and terms in; working capital, financing value and the discount's return out.
Dashboard	Working capital released, its financing value, the suppliers that do not pay back in year one and the discounts worth taking.
Method	How every number is calculated, with assumptions, limits and sources.
Verify	Self-check: the workbook's formulas recomputed on fixed inputs against an independent reference.

What each number means

Quantity	How it is calculated	Units
Additional days	Proposed payment days - current payment days.	days
Working capital released	Annual spend x additional days / 365.	currency
Annual financing benefit	Working capital released x annual financing rate (Setup).	currency/yr
First-year net value	Annual financing benefit - one-time transition cost.	currency

Quantity	How it is calculated	Units
Pays back in year one	Yes when the first-year net value is above zero.	-
Discount return	Discount / (1 - discount) x 365 / (proposed days - discount days): the annual return of paying early.	%/yr
Better choice	Take the discount when its return beats the financing rate; pay at term otherwise.	-

Assumptions, limitations, sources and the self-check (the Verify sheet, which recomputes the workbook's formulas on fixed test inputs) are in the workbook. The last page shows the Dashboard with the example data for Larkfield Components, a fictional business.

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Engineering estimates for planning and improvement work. Verify the results against your own process, data and standards before you rely on them.

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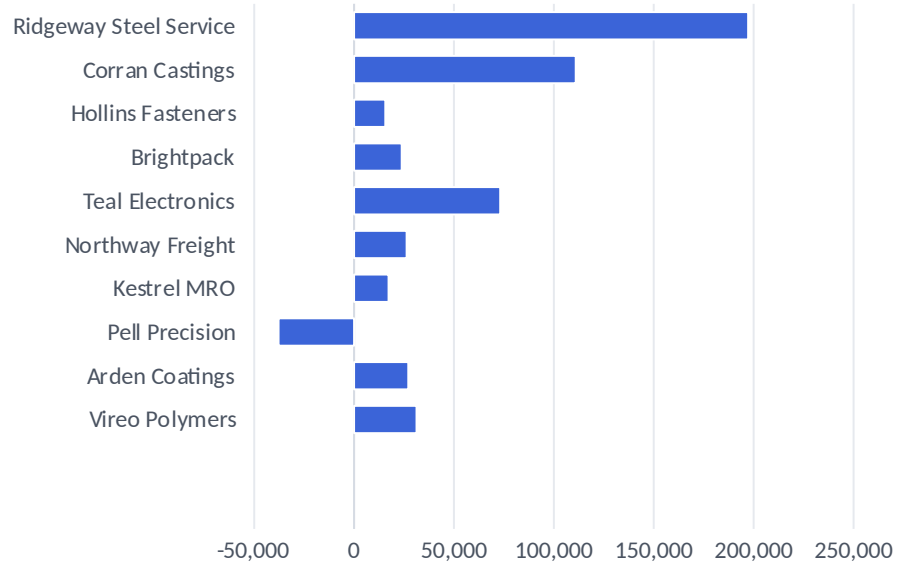
Working capital released, its financing value, the suppliers that do not pay back in year one and the discounts worth taking.

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Larkfield Components (example): 10 suppliers, 9,060,000 USD a year, financing rate 9.0%.

WORKING CAPITAL RELEASED (USD)	ANNUAL FINANCING BENEFIT (USD)	FIRST-YEAR NET VALUE (USD)	SUPPLIERS NOT PAYING BACK IN YEAR ONE
484,932	**43,644**	**20,144**	**2**
One-time, as payments move later	Working capital x financing rate	After transition costs	First-year net value at or below zero

Working capital released by supplier



Early-payment discount return against the financing rate

