

## Quick Formulas

$$\text{Past-Due Percentage} = \frac{\text{Overdue Invoices}}{\text{Total Receivables}} \times 100$$

$$\text{Days Sales Outstanding (DSO)} = \frac{\text{Ending Total Receivables} \times \text{Number of Days}}{\text{Sales}}$$

$$\text{Best Possible DSO} = \frac{\text{Current Receivables} \times \text{Number of Days}}{\text{Sales}}$$

$$\text{Sales Weighted DSO} = \frac{\text{Aged Receivables for Each Month}}{\text{Comparable Sales Figure for Each of the Aging Brackets}} \times 30$$

$$\text{True DSO} = \frac{\text{Invoice Amount}}{\text{Net Sales for the Month in Which the Sale Occurred}} \times \text{Number of Days from Invoice Date to Reporting Date}$$

$$\text{DSO AR Composition} = \frac{\text{Year-to-Date Revenue}}{\text{Year-to-Date DSO Sales}} \times 1 \text{ Month} = 1 \text{ Day of DSO \$}$$

Divide the 1 Day of DSO \$ value into the total AR dollars for the aging categories you want to track for trends or improvement to derive the number of "days" in each category.

Your company may also want to modify the formula to reflect YTD or 90-day value of 1 Day of DSO \$.

$$\text{Percent by Age Category (30, 60, 90, future, current, past-due buckets)} = \frac{\text{Total Amount in Chosen Age Category and Above}}{\text{Total Receivables}} \times 100$$

$$\text{Bad Debt as a Percent to Sales} = \frac{\text{Bad Debt Net of Recoveries}}{\text{Sales}} \times 100$$

### Cash Collected as a Percent Available to Collect for the Month

$$\frac{\text{Amount Collected Within the Month}}{\text{Amount Available to Collect (e.g. Current Receivables + Past Dues - Deductions)}} \times 100$$

$$\text{Average Days Delinquent (ADD)} = \text{Days Sales Outstanding} - \text{Best Possible Days Sales Outstanding}$$

### Collection Effectiveness Index (CEI)

$$\frac{\text{Beginning Receivables} + \text{Monthly Sales} - \text{Ending Total Receivables}}{\text{Beginning Receivables} + \text{Monthly Sales} - \text{Ending Current Receivables}} \times 100$$

$$\text{Accounts Receivable Turnover Rate} = \frac{\text{Net Sales}}{\text{Average Accounts Receivable}}$$

$$\text{Percent of Invoice Accuracy} = \frac{\text{Number of Accurate Invoices}}{\text{Total Number of Invoices}} \times 100$$