

Purchases Ledger

End of Month Procedures

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1. Introduction.

Any user undertaking the End of Month tasks should be thoroughly familiar with Period Control concepts as outlined in Tutorial, ALL03.

When all Purchases ledger entries are completed for a reporting period (usually a calendar month), the following procedure should be carried out.

2. Allocate unallocated credit notes, payments, and journals.

Allocating is the term used to matching credit notes, receipts, and journals, to their respective invoices. Ideally, (and this is usually the practice for most companies), receipts are matched on entry. However, credit notes and journals tend to be “left there – I’ll do it later” and end up not being done. This results in more detailed ageing reports as all unmatched transactions are printed on a detailed aged report. An invoice may be paid or cancelled by a credit note, but, if the payment or credit note is not allocated to the invoice, then both transactions are still regarded as “outstanding” and both transactions will appear on the aged report. So, regular “housekeeping” is strongly recommended.

If foreign currency (FX) transactions are processed, then it is essential that transactions are allocated as quickly as possible. Unallocated FX transactions will always result in Aged Reports not agreeing with their respective Nominal Control Accounts. This is because the Aged Report for FX Balances will use the current FX rate (as stored in the currency file) to compute the Base Currency Equivalent (BCE) whereas the BCE of FX transactions in the Control Account is based on the FX rate that was used at the time of posting.

As a rule, for an FX Credit Note to be allocated against an FX invoice, the FX Rate of both transactions MUST be identical. However, there is a way around this – please refer to Tutorial PL02 on Purchases Ledger Invoices & Credit Notes, Sections 3.5.1 and 3.5.2

3. Period Forward

As a rule, using a system parameter, the Purchases Period Number will automatically increment to the next Period Number, on change of the calendar month. If this parameter is not set, then a user with the necessary Systems Administrator password will have to set the new Period Number – usually at close of business on the last working day of the reporting period. If necessary, if no more transactions are to be entered into the old Period, it should be “Locked”.

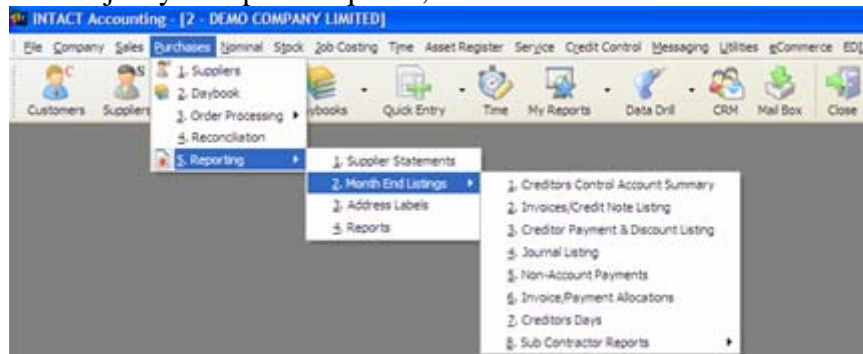
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4. Reports

4.1: Month End Listings.

The majority of reports required, are found in one convenient menu location:-

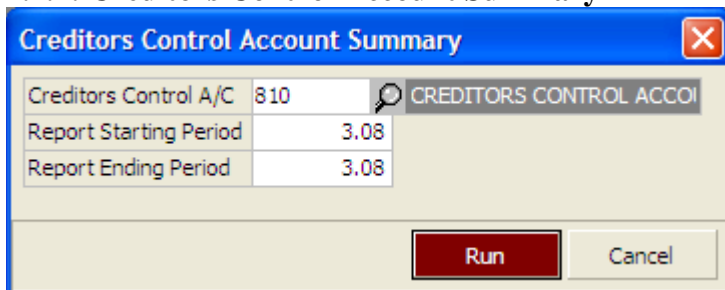


A brief description of each report follows.

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4.1.1: Creditors Control Account Summary



If FX Creditor Control A/Cs exist, then these Reports are run for each Control A/C.

The above Form is displayed, with the default Creditors Control A/C code (810 in this example), already filled in. Enter the Report Starting Period and Report Ending Period, and mouse-click/press the Run button to process the report. The Report gives a summary of what transactions “passed through” the Control Account for the period:-

DEMO COMPANY LIMITED
 Creditors Control Account Summary
 CREDITORS CONTROL ACCOUNT
 Account : 810
 Period : 3.08

Printed : 31/03/2008 17:54
 Page : 1

Opening Balance MAR 08	148,036.44
Invoices	15,927.56
Credit Notes	-121.00
	15,806.56
Payments	-23,022.99
Discount Received	0.00
Exchange Differences	0.00
Debit Journals	0.00
Credit Journals	-312.55
Closing Balance MAR 08	140,507.46

Ensure this agrees with Closing Balance of previous period.

Should agree with both Nominal Creditors Control A/C and the Aged Creditors Report

The Closing Balance on this report should be the balance on nominal control account 810 which it is:-

E S E				
NOMINAL ACCOUNTS				
Account	Code	Debit	Credit	
CREDITORS CONTROL ACCOUNT	810		140,507.46	EUR
STERLING CREDITOR CONTROL ACCOUNT	811	19,269.52		GBP
DOLLAR CREDITOR CONTROL ACCOUNT	812		6,350.00	USD

The other reports that will be subsequently run, should now validate the summary figures in this report. For example, the net amount for invoices less credit notes is 15,806.56. The next report, “Invoice/Credit Notes” listing should list the transactions making up this total (which it does) – see section 4.1.2 next page.

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4.1.2: Invoices/Credit Note Listing

Monthly Creditor Invoice\Credit Note Listing

Creditors Control A/C: **810** CREDITORS CONTROL ACCO

Report Starting Period: **3.08**

Report Ending Period: **3.08**

Run **Cancel**

Again the same procedure applies to the above menu as the Creditors Control Account Summary.

DEMO COMPANY LIMITED
 Monthly Creditor Invoice\Credit Note Listing (Base [EUR])
 Control A/C : 810
 Period Code : MAR 08

Printed : 31/03/2008 17:50
Page : 1

REF DATE	NUMBER	CODE	NAME	NET AMOUNT	VAT AMOUNT	GROSS AMOUNT
2522 07/03/08	353	B001	BURN, STEWART & SMYTH	-100.00	-21.00	-121.00
Totals for C				-100.00	-21.00	-121.00
2526 11/03/08	34580	DT01	DE OULAN GMB	57.00	11.97	68.97
2535 13/03/08	34581	AA-LIST	List Price Supplier	13.50	2.84	16.34
2538 14/03/08	34584	B001	BURN, STEWART & SMYTH	272.20	57.16	329.36
2539 14/03/08	34585	B001	BURN, STEWART & SMYTH	79.00	16.59	95.59
2541 14/03/08	34587	B001	BURN, STEWART & SMYTH	622.00	130.62	752.62
2542 14/03/08	34588	B001	BURN, STEWART & SMYTH	33.00	6.93	39.93
2543 14/03/08	34589	B001	BURN, STEWART & SMYTH	23.75	4.99	28.74
2545 14/03/08	34591	B011	BARRETT & MACKIN LTD	9060.50	1902.70	10963.20
2546 14/03/08	34592	B001	BURN, STEWART & SMYTH	793.44	166.63	960.07
2547 14/03/08	34593	A001	ANDREW WATSON & SONS	19.35	4.06	23.41
2548 19/03/08	34594	B003	BSC DISTRIBUTORS LTD	700.00	147.00	847.00
2550 19/03/08	34596	B003	BSC DISTRIBUTORS LTD	18.00	3.78	21.78
2551 19/03/08	34597	B003	BSC DISTRIBUTORS LTD	320.00	67.20	387.20
2552 19/03/08	34598	B003	BSC DISTRIBUTORS LTD	432.00	90.72	522.72
2553 19/03/08	34599	A001	ANDREW WATSON & SONS	444.53	93.35	537.88
2554 19/03/08	34600	DULUX	Dulux Paints	115.00	24.15	139.15
2555 19/03/08	34601	B001	BURN, STEWART & SMYTH	10.00	2.10	12.10
2556 19/03/08	34602	B001	BURN, STEWART & SMYTH	100.00	21.00	121.00
2579 25/03/08	34603	B001	BURN, STEWART & SMYTH	50.00	10.50	60.50
Totals for I				13163.27	2764.29	15927.56
TOTALS				13063.27	2743.29	15806.56

Total for Invoices/Credit Notes as per Creditors Control Summary Total in section 4.1.1 above.

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4.1.3: Creditors Payments and Discount Listing

Monthly Creditor Payments Listing

Creditors Control A/C: 810 CREDITORS CONTROL ACCOI

Report Starting Period: 3.08

Report Ending Period: 3.08

Run **Cancel**

Again the same procedure applies to the above menu as the Creditors Control Account Summary.

DEMO COMPANY LIMITED
Monthly Creditor Payments Listing (Base [EUR])
Control A/C : 810
Period Code : MAR 08

Printed : 31/03/2008 17:55
Page : 1

REF DATE	NUMBER	CODE	NAME	PAYMENT	DISCOUNT RECEIVED
2580 10/03/08	9138	B011	BARRETT & MACKIN LTD	7500.00	
2581 12/03/08	9139	B002	BIG BOOK COMPANY LIMITED	22.99	
2582 12/03/08	9140	B001	BURN, STEWART & SMYTH	15500.00	
TOTALS				23022.99	0.00

Total for Receipts as per Creditors Control Summary Total in section 4.1.1 above.

4.1.4: Journal Listing

Monthly Creditor Journal Listing

Creditors Control A/C: 810 CREDITORS CONTROL ACCOI

Report Starting Period: 3.08

Report Ending Period: 3.08

Run **Cancel**

Again the same procedure applies to the above menu as the Creditors Control Account

DEMO COMPANY LIMITED
Monthly Creditor Journal Listing (Base [EUR])
Control A/C : 810
Period Code : MAR 08

Printed : 31/03/2008 17:57
Page : 1

REF DATE	NUMBER	CODE	NAME	DEBIT AMOUNT	CREDIT AMOUNT
2562 21/03/08	test 1	B011	BARRETT & MACKIN LTD	100.00	
2564 21/03/08	test 2	B011	BARRETT & MACKIN LTD	113.00	
2571 21/03/08	PL-123	B011	BARRETT & MACKIN LTD	99.55	
TOTALS				312.55	0.00

Total for Journals (Debit & Credit), as per Creditors Control Summary Total in section 4.1.1 above.

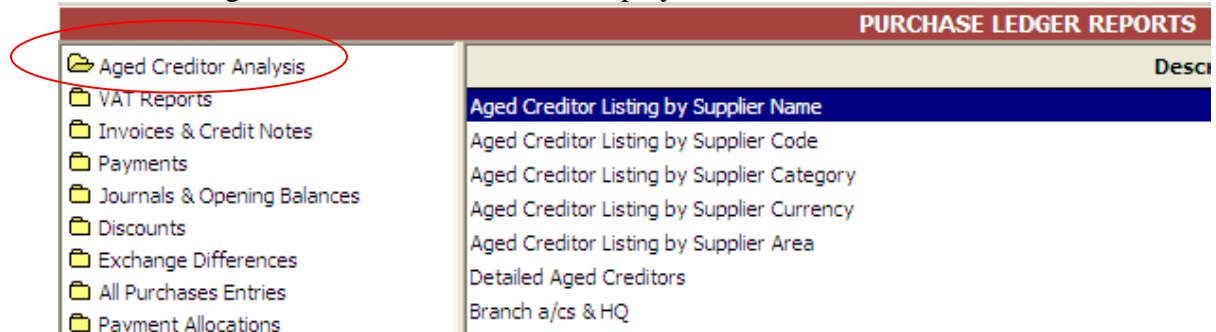
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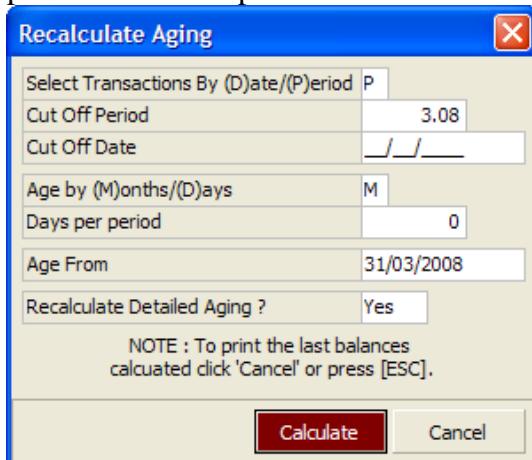
4.1.5: Aged Creditor Listing

As part of the control on the Purchases Ledger we must print the Creditors Aged Analysis report for each month. This Report is found in the Purchases / Reporting section.

The following is an extract of the screen displayed:-



A number of versions of the Aged Creditors Report are available as illustrated above. When any of the available reports is chosen, the following Recalculate Aging Form is presented for completion:-



Select Transactions By (D)ate/(P)eriod: P for Period is recommended.

Cut Off Period: Enter the period for the month end

Aged by (M)onths/(D)ays: Enter M if P was chosen above, or D if date was chosen.

Days per Period: – Leave at zero (0) for 30

Age From: The last date of the Cut Off Period is automatically displayed.

Recalculate Detailed Aging : ENTER No for the Summary Version, Yes for the Detailed Version.

Press ENTER on the Calculate button.

The system will proceed to calculate the aging for each debtor. When the system completes this task the following menu is displayed.

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Report Criteria		
Aged Creditor Listing by Supplier Name		
	From	To
Supplier A/C Code		
Category Code		
Area Code		
Head Office Code		
Account Currency Code		
Status Code		
Intrastat Suppliers?		
Head Office Accounts?		
Branch Accounts?		
Sort Name Currency Base [EUR]		
Add-INS Edit-CR Curncy-# Sort-F5 Clear-F6 Run-F7 Options-F8 Batch-F9 Close-ESC		

Ensure that all criteria on the From/To columns are blank to ensure that all of the Creditors accounts are printed. Pressing F7 will print this report.

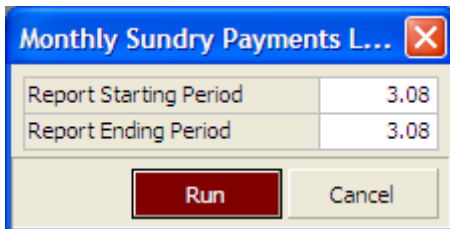
The balance on the Aged Creditors Report should agree with the closing balance on the Creditors Control Summary Report, which in turn should agree with the balance on the Nominal Ledger Creditors Control Account. If not in agreement, the difference has to be investigated and rectified.

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4.2 Other Purchases Ledger Reports

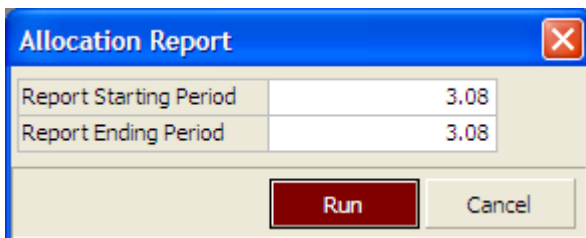
4.2.1: Non Account Payments (“Nominal Payments”).



This Report will list ALL payments to non-suppliers “nominal” accounts, irrespective of which bank they were paid from. Similar reports in the Nominal Ledger are “bank specific”.

Enter the Report Starting Period and the Report Ending Period and press RUN to print the report. You will notice that there is no entry on this menu for the Creditors Control A/C as non account payments are not part of the Creditors Control Account.

4.2.2: Invoice Payment Allocations

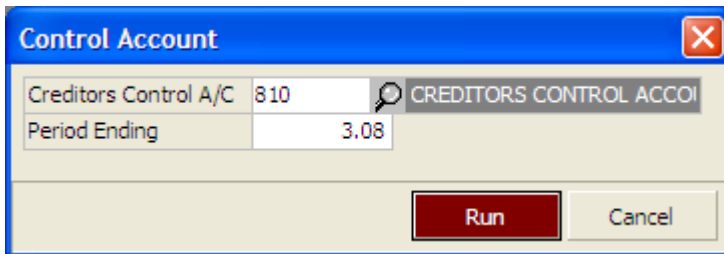


Enter the Report Starting Period and the Report Ending Period and press RUN to print the report. The Report will list the invoices that were allocated by each payment.

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4.2.3: Creditor Days



A screenshot of a software dialog box titled "Control Account". It contains two input fields: "Creditors Control A/C" with the value "810" and "Period Ending" with the value "3.08". A search icon is next to the first field, and a dropdown menu shows "CREDITORS CONTROL ACCO". At the bottom are "Run" and "Cancel" buttons.

DEMO COMPANY LIMITED Printed : 31/03/2008 18:14
 Creditors Days Summary Page : 1
 CREDITORS CONTROL ACCOUNT
 Account : 810
 Period : 3.08

Closing Balance MAR 08	140,507.46	
MAR 08	15,806.56	31
FEB 08	297.18	29
JAN 08	1,384.13	31
NOV 07	38,322.72	30
OCT 07	21,953.38	31
SEP 07	13,969.45	30
AUG 07	45,537.81	31
JUL 07	3,236.23	14.74
Totals	140,507.46	227.74

This report tells us that we are taking an average of 227.74 days to pay our creditors.

See Appendix 1 for an explanation of how the total of 227.4 days, in the above report is calculated.

4.2.4: Sub Contractor Reports

Please refer to Tutorial PL12 on Sub Contractors.

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4.3: Purchases VAT Reports

It is advisable to print the VAT reports on a monthly basis. This can be carried out as follows, click on Purchases, 6 – Reporting, 5 – Reports and the following menu is displayed

PURCHASE LEDGER REPORTS	
<div> <div>Aged Creditor Analysis</div> <div>VAT Reports</div> <div>Invoices & Credit Notes</div> <div>Payments</div> <div>Journals & Opening Balances</div> </div>	<div> <div>Purchases VAT Detailed Listing</div> <div>Purchases VAT Summary Listing</div> <div>Purchases VAT Check Listing</div> </div>

On the left sided column click on VAT Reports and then on the right sided column click on Purchases VAT Summary Listing. The menu on the right-hand side is then displayed. Whichever report option is taken, the Report Criteria Screen is displayed:-

Report Criteria		
Purchases VAT Summary Listing		
	From	To
Period Code	3.08	3.08
VAT Code		
Nominal Account		
Date	<div> Enter the period for the report on Period Code in the From/To columns. All other criteria should remain blank in the From/To columns. Press F7 to print the report. </div>	
Company		
Supplier		
Category		
Area Code		
Head Office Code		
Sort Resale ?+VAT Code Currency Base [EUR]		
Add-INS Edit-CR Curncy-# Sort-F5 Clear-F6 Run-F7 Options-F8 Batch-F9 Close-ESC		

4.3.1: Summary Vat Report

DEMO COMPANY LIMITED			Printed : 03/04/2008 10:39		
Purchases VAT Summary Listing (Base [EUR])			Page : 1		
Period Code :MAR 08					
	NET AMOUNT	VAT AMOUNT	GROSS AMOUNT		
Totals for 1 [STANDARD-21% 21.00%]	13063.27	2743.29	15806.56		
Totals for 4 [IMP\EXP E.E.C. 0.00%]	289.86		289.86		
Total for Purchase Type - Y	13353.13	2743.29	16096.42		
TOTALS	13353.13	2743.29	16096.42		

This shows the totals for each Vat code.

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4.3.2: Detailed Vat Report

DEMO COMPANY LIMITED				Printed : 03/04/2008 10:40	
Purchases VAT Detailed Listing (Alternate Base [EUR])				Page : 1	
Period Code :MAR 08					
DATE	NUMBER	SUPPLIER	NET AMOUNT	VAT AMOUNT	GROSS AMOUNT
07/03/08	3453	BURN, STEWART & SMYTH	-100.00	-21.00	-121.00
11/03/08	34580	DE OULAN GMB	11.40	2.39	13.79
11/03/08	34580	DE OULAN GMB	45.60	9.58	55.18
13/03/08	34581	List Price Supplier	13.50	2.84	16.34
14/03/08	34584	BURN, STEWART & SMYTH	272.20	57.16	329.36
14/03/08	34585	BURN, STEWART & SMYTH	79.00	16.59	95.59
14/03/08	34587	BURN, STEWART & SMYTH	622.00	130.62	752.62
14/03/08	34588	BURN, STEWART & SMYTH	33.00	6.93	39.93
14/03/08	34589	BURN, STEWART & SMYTH	23.75	4.99	28.74
14/03/08	34591	BARRETT & MACKIN LTD	150.00	31.50	181.50
14/03/08	34591	BARRETT & MACKIN LTD	8150.50	1711.60	9862.10
14/03/08	34591	BARRETT & MACKIN LTD	760.00	159.60	919.60
14/03/08	34592	BURN, STEWART & SMYTH	119.40	25.07	144.47
14/03/08	34592	BURN, STEWART & SMYTH	285.00	59.86	344.86
14/03/08	34592	BURN, STEWART & SMYTH	389.04	81.70	470.74
14/03/08	34593	ANDREW WATSON & SONS	19.35	4.06	23.41
19/03/08	34594	BSC DISTRIBUTORS LTD	700.00	147.00	847.00
19/03/08	34596	BSC DISTRIBUTORS LTD	18.00	3.78	21.78
19/03/08	34597	BSC DISTRIBUTORS LTD	320.00	67.20	387.20
19/03/08	34598	BSC DISTRIBUTORS LTD	432.00	90.72	522.72
19/03/08	34599	ANDREW WATSON & SONS	444.53	93.35	537.88
19/03/08	34600	Dulux Paints	115.00	24.15	139.15
19/03/08	34601	BURN, STEWART & SMYTH	10.00	2.10	12.10
19/03/08	34602	BURN, STEWART & SMYTH	100.00	21.00	121.00
25/03/08	34603	BURN, STEWART & SMYTH	50.00	10.50	60.50
Total for - 1 [STANDARD-21% 21.00%]			13063.27	2743.29	15806.56
14/03/08	34586	ALPINE DISTRIBUTORS	289.86		289.86
Total for - 4 [IMP\EXCP E.E.C. 0.00%]			289.86		289.86
Total for Purchase Type Y			13353.13	2743.29	16096.42
TOTALS			13353.13	2743.29	16096.42

This shows the detailed transaction which make up the summary totals. This report should always be printed – the “VAT Man” will ask for it during a VAT audit.

The total of the Invoices/Credit notes on the Creditors Control Account should equal the Gross Total on the Purchases VAT Summary Report.

The Vat Return Report which consolidates the Summary Reports for both the Sales and Purchases Ledgers, is found in the Nominal Ledger Reporting section.

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4.3.3: Purchases VAT Check Listing.

This report shows the vat amount as entered on the transaction, and the vat amount as recalculated by the system, and the difference, if any, between the two amounts. It is relevant where invoice summaries are entered manually into the daybook. In such circumstances, the calculated VAT amount can be overwritten by the user to force the entry to agree with the manual invoice.

DEMO COMPANY LIMITED						Printed : 28/03/2008 16:00	
Sales VAT Check Listing (Base [EUR])						Page : 1	
Period Code : JUL 07							
REF DATE	NUMBER	NAME	NET	VAT	GROSS	VAT AMOUNT	VAT DIFFERENCE
1418 16/07/07	463	AMELEC DISTRIBUTORS	-195.02	-40.95	-235.97	-40.95	
1422 18/07/07	45785	ADDIS LTD	100.00	21.00	121.00	21.00	
1428 18/07/07	45786	AMELEC DISTRIBUTORS	1195.58	251.08	1446.66	251.07	0.01
1428 18/07/07	45786	AMELEC DISTRIBUTORS	-300.00	-63.00	-363.00	-63.00	
1434 18/07/07	45787	ASG LIMITED	951.03	199.72	1150.75	199.72	
1434 18/07/07	45787	ASG LIMITED	-826.45	-173.55	-1000.00	-173.55	
1434 18/07/07	45787	ASG LIMITED	-991.74	-208.26	-1200.00	-208.27	0.01
1438 18/07/07	45788	ASG LIMITED	1500.00	315.00	1815.00	315.00	
1438 18/07/07	45788	ASG LIMITED	-1500.00	-315.00	-1815.00	-315.00	
1440 18/07/07	45789	ASG LIMITED	1500.00	315.00	1815.00	315.00	
1440 18/07/07	45789	ASG LIMITED	-566.12	-118.88	-685.00	-118.89	0.01
1444 19/07/07	45790	Cash-POS	209.09	43.91	253.00	43.91	
1446 19/07/07	45791	ASG LIMITED	1300.00	273.00	1573.00	273.00	
1448 19/07/07	45792	ASG LIMITED	1356.08	284.78	1640.86	284.78	
1448 19/07/07	45792	ASG LIMITED	-1356.08	-284.78	-1640.86	-284.78	
1450 19/07/07	45793	ASG LIMITED	1300.00	273.00	1573.00	273.00	
1451 19/07/07	45794	ASG LIMITED	1356.08	284.78	1640.86	284.78	
1451 19/07/07	45794	ASG LIMITED	-544.74	-114.40	-659.14	-114.40	
1453 24/07/07	464	Cash-POS	-18.00	-3.78	-21.78	-3.78	
1454 24/07/07	465	Cash-POS	-18.00	-3.78	-21.78	-3.78	
1455 26/07/07	45795	ADDIS LTD	236.26	49.61	285.87	49.61	
1455 26/07/07	45795	ADDIS LTD	15.00	3.15	18.15	3.15	
1460 31/07/07	45796	AMELEC DISTRIBUTORS	125.00	26.25	151.25	26.25	
1462 31/07/07	45797	BRIDGE RECRUITMENT AGENCY LTD	10.46	2.20	12.66	2.20	
Total @ Rate 1 [STANDARD-21% 21.00%]			4836.43	1016.10	5854.53	1016.07	0.03
1414 16/07/07 45784 AA SERVICES LTD			88.78		88.78		
Total @ Rate 4 [IMP/EXP E.E.C. 0.00%]			88.78		88.78		
TOTALS			4927.21	1016.10	5943.31	1016.07	0.03

An example where this report can explain an apparent discrepancy is payment for “Vat at Point of Entry”. The importer or haulier, may have to pay the VAT “up front” before the goods are released by the Customs & Excise authorities. The invoice will be logged with zero for the goods value and X amount for the VAT. The invoice for the goods could be logged in a different period. A simple example: 3 invoices logged in a period:-

Goods value	Vat Value	Invoice Total	Comment
100.00	21.00	121.00	All invoices are at the 21% vat rate.
200.00	42.00	242.00	
0.00	63.00	63.00	Vat at Point of Entry.
300.00	126.00	426.00	Invoice Totals

Taking a calculator and calculating 21% of the goods total of 300.00 gives a “calculated value” of 63.00 whereas the Vat Report shows 126.00. The apparent discrepancy is

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explained by the Vat at POE. This would “stand out” on the above report under the Vat Difference column.

Appendix 1: How “Creditors Days” Report is calculated.

DEMO COMPANY LIMITED Creditors Days Summary CREDITORS CONTROL ACCOUNT Account : 810 Period : 3.08	Printed : 31/03/2008 18:14 Page : 1
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Closing Balance MAR 08	140,507.46	
MAR 08	15,806.56	31
FEB 08	297.18	29
JAN 08	1,384.13	31
NOV 07	38,322.72	30
OCT 07	21,953.38	31
SEP 07	13,969.45	30
AUG 07	45,537.81	31
JUL 07	3,236.23	14.74
Totals	140,507.46	227.74

The above amounts are calculated as follows:-

- The system gets the balance on the specified Creditors Control A/C as at the Report Period Date, eg, as at 3.08, the balance is 140,507.46
- The system gets the Turnover (**Including VAT**) for each period up to the Report Period back to a maximum of 6 periods from the current period.
- Going back through each of these 7 Periods, starting at the period selected apply the following formula:-

$$\text{Days} = \frac{\text{Lower Figure}}{\text{This Period's Turnover}} \times \frac{\text{Days in This Period}}{1}$$

In English, The “Lower Figure” is divided by each Period’s Turnover and the answer is multiplied by the number of days in the period.

The “Lower Figure” is the lower of the Period Turnover or the Remaining Balance.
 The Remaining Balance is calculated as follows:-

Period	Supplier Turnover	Days in Month	Remaining Balance	Remaining Balance explained
3.08	15806.56	31	140507.46	period 3.08 = Balance as at Report Cut-Off period
2.08	297.18	29	124700.90	Previous Remaining Balance minus Previous Period's Turnover
1.08	1384.13	31	124403.72	So, period 2.08 = 140507.46 minus 15806.56 = 124700.90
11.07	38322.72	30	123019.59	period 1.08 = 124700.90 minus 297.18 = 124403.72
10.07	21953.38	31	84696.87	period 11.07 = 124403.72 minus 1384.13 = 123019.59
9.07	13969.45	30	62743.49	period 10.07 = 123019.59 minus 38322.72 = 84696.87
8.07	45537.81	31	48774.04	period 9.07 = 84696.87 minus 21953.38 = 62743.49
7.07	6807.52	31	3236.23	period 8.07 = 62743.49 minus 13969.45 = 48774.04

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period 7.07 = 48774.04 minus 45537.81 = 3236.23

Applying the formula

Period	Supplier Turnover	Days in Period	Remaining Balance	Calculation of the days	Days
3.08	15806.56	31	140507.46	(Lower Figure of 15806.56 / 15806.56 Turnover) * 31 =	31
2.08	297.18	29	124700.90	(Lower Figure of 297.18 / 297.18 Turnover) * 29 =	29
1.08	1384.13	31	124403.72	etc, etc, until we get to Period 7.07	31
11.07	38322.72	30	123019.59		30
10.07	21953.38	31	84696.87		31
9.07	13969.45	30	62743.49		30
8.07	45537.81	31	48774.04		31
7.07	6807.52	31	3236.23	(Lower Figure of 3236.23 / 6807.52 Turnover) * 31 =	14.74
Average number of days being taken to pay suppliers					227.74