

EQUIVALENT RATE OF INTEREST OF DISCOUNTS					
	By offering discount, length debt outstanding estimated to be reduced by				
	30 days	60 days	90 days	120 days	150 days
Discount %	Equivalent Rate of Interest				
1%	12%	6%	4%	3%	2%
1.5%	19%	9%	6%	5%	4%
2%	25%	12%	8%	6%	5%
2.5%	31%	16%	10%	8%	6%
3%	38%	19%	13%	9%	8%
3.5%	44%	22%	15%	11%	9%
4%	51%	25%	17%	13%	10%
4.5%	57%	29%	19%	14%	11%
5%	64%	32%	21%	16%	13%

Example of use:

If you are offering discounts to your debtors, this table shows what the offer is costing you e.g. if you offer a discount of 3% in order to get your cash 30 days earlier, this is costing 38% compared to offering no discount.