

**S.T.HINDU COLLEGE, NAGERCOIL-629002.**

**Material by: Dr.T.M.Padmanabhan**

**Department of Commerce**

**MS University**

**First year B.com.,**

**Financial Accounting-II**

**Unit-V Average Due Date**

**A D D :**

It is also known as Equated date or mean date-on which single payment is effected instead of several payments due on different dates.

The word interest –loss of interest assuming greater significance in business (credit) transactions

**For eg :**

- Arivalagan borrowed money/goods from Mathialagan on different dates and assured to return the consideration on different dates
- If Arivalagan makes payment in advance the result is loss of interest to him
- On the other hand if Mathialagan accepts the payments after the due date the result is loss of interest to him
- To avoid – I mean loss of interest to both parties(lender and borrower) - agreeing to settle the payment on such a date in the place of different due dates- a mechanism known as A D D is used.

**The following format can be used to solve the problem in general**

Due date	Amount	Days from base date	Product

**To use the above format and solve the problem a student need to ponder the following**

(the information provided here under can be used by a student to answer theory questions also)

- Read the questions carefully
- Look for intervention of leap year(for feb 29 days & total 366 days)
- Decide a base date-also known as zero date-any date can be considered as base date-but it is advisable- earlier due date can be taken as zero date
- Due dates generally given in the questions directly –in the case of bills of exchange you need to calculate by recalling your memory pertaining to bills of exchange- three days of grace / if due dates happens to be a public holiday for eg: republic day or Sunday –in such cases the due date is preponed to 1 day in advance- if the due date is announced as a holiday suddenly by the government agency then the immediate next day will be the due date
- Amount due generally directly given in the problem- the need is you have to copy paste in the appropriate column/row
- Find the days of difference between zero date and due dates

**for example:**

if the base date is 16/01/2020 and due date is 02/04/2020 – the days of difference is equal to 77 days (jan 15 days +feb 29 days+march 31days+april 2 days)

- Next step is filling of product column – it means a total of amount due\*days of difference  
(here product means sum of two digits- you may have different meaning in the Marketing literature)
- Now - total the amount column and product column separately
- Apply the following formula

$$A D D = \text{base date} +/ - \text{total sums of product} / \text{total sums of amount}$$

**The following illustration help you to understand the mechanism .**

**Question**

1. Arivalagan borrowed from Mathialagan on different dates and assured to pay on different dates. Now Arivalagan wishes to settle all the amount due to him on a single payment. You are requested to assist him in this regard the details of transaction is as follows

<b>Borrowed on</b>	<b>Due date</b>	<b>Amount in Rs</b>
18 <sup>th</sup> nov 2019	3 <sup>rd</sup> jan 2020	3000
1 <sup>st</sup> dec 2019	5 <sup>th</sup> feb 2020	5000
28 <sup>th</sup> dec 2019	7 <sup>th</sup> april 2020	6000

10 <sup>th</sup> feb 2020	9 <sup>th</sup> april 2020	3000
1 <sup>st</sup> march 2020	15 <sup>th</sup> april 2020	3000

**Note:**

- The first column provides you date on which the borrower received the benefit –in our calculation the first column information is irrelevant
- Hence we have to concentrate on column 2 & 3 alone

**We consider base date for our solution is 3<sup>rd</sup> jan 2020(since it is the earliest due date )**

Due date	Amount in Rs	Days from base date	Product
3 <sup>rd</sup> jan 2020	3000	0	0
5 <sup>th</sup> feb 2020	5000	33(28 days in jan +5 days in feb)	165,000
7 <sup>th</sup> april 2020	6000	95(28 days in jan+29 days in feb+ 31 days in march+ 7 days in april)	570,000
9 <sup>th</sup> april 2020	3000	97(28 days in jan+29 days in feb+ 31 days in march+ 9 days in april)	291,000
15 <sup>th</sup> april 2020	3000	103(28 days in jan+29 days in feb+ 31 days in march+ 15 days in april)	309,000
	20000		1335000

### **Application of formula**

A D D = base date +/-total sums of product/ total sums  
of amount

$$A D D = 3^{\text{rd}} \text{ jan} + 1335000 / 20000$$

$$= 3^{\text{rd}} \text{ jan} + 66.75 \text{ days}$$

=66.75 covered into 67 days

$$A D D = 3^{\text{rd}} \text{ jan} + 28(\text{jan}) + 29(\text{feb}) + 10(\text{march}) \text{ days}$$

Therefore,

$$A D D = 10^{\text{th}} \text{ march } 2020$$

For further clarification contact Dr.T.M.Padmanabhan, Senior faculty,  
S.T.Hindu College

Mobile:9486418240