

We get a lot of queries about finance and settlement figures. We hope you will find the following notes and examples useful.

Note: Most photocopier companies use third party finance companies to provide the capital cost of the equipment.

Example

Customer enters new agreement for 3 years starting 01 April 2004

Payments are £240 per quarter, total of £2880.

Over 3 years, 12 payments in total will be due (4 quarters per year x 3 years)

Customer decides to upgrade before the end of the contract

Their new agreement starts 01 July 2006 for 3 years

Payments without settlement are £252 per quarter, £3024.

9 quarters have been invoiced to the period 30 June 2006. Because finance companies charge rental in advance, the payment for the period 01 July 2006 to 30 September 2006 has also been charged, payment 10 out of a total of 12.

Customers often ask for credit as their contract periods overlap. However, the finance operates just the same way as loans and all the money has to be paid back one way or another.

Option 1 - Customer pays the invoice for 01 July 2006 to 30 September 2006

10 payments have been invoiced, leaving 2 outstanding, a total of £480.

The £480 will be added to the new agreement of £3024 = £3504 and spread across the 12 quarters giving a new amount of £292.

Option 2 - Payment for the period 01 July 2006 to 30 September 2006 is refunded

3 payments will then be outstanding on the old agreement, a total of £720.

This £720 will be added to the new agreement of £3024 = £3744 and spread across the 12 quarters giving a new amount of £312.

Total paid under the old + new agreement

Option 1        £2400 + £3504 = £5904

Option 2        £2160 + £3744 = £5904

As you can see, the basic amount of money is the same. (Although the more payments you roll forward, the more interest you will be paying on money borrowed).

In Practise

The photocopier supplier usually makes a settlement allowance based on his understanding of how many payments are left when they quote for a new photocopier. Sometimes, the finance companies send in invoices which get paid before the outstanding finance has been settled.

When this happens, WMS has to claim the invoice back from the photocopier supplier in order to credit the customer. This is because the actual amount outstanding when the photocopier supplier does settle the finance will be less than the photocopier supplier allowed, and the difference will be the amount of the extra invoice paid.

We hope this makes things a little clearer but if there is anything you do not understand or would like further information on, please contact Emma Dimelow on 01743 237314 or [edimelow@wms.enta.net](mailto:edimelow@wms.enta.net).