

Average Due Date (ADD)
(4 - 6 Marks)

Concept 1: Meaning of ADD

When one person is suppose to make several payments to another person on different dates but instead, he settle entire amount on one single date without involving any loss of interest to either of the parties then such an equated date of payment is known as ADD.

Concept 2: Calculation of ADD**Statement showing calculation ADD**

[Base Date:.....]

Due Date	Amount	No of Days from Base Date till Due Date	Product
	(a)	(b)	(c=a x b)
	Total Amount		Total Amount

$$\text{ADD} = \text{Base Date} + \frac{\text{Total Product}}{\text{Total Amount}}$$

* Any of the Due Dates can be taken as Base Date. But in exam we will select the earliest Due Date as Base Date.

* If the expression i.e. $\frac{\text{TOTAL PRODUCT}}{\text{TOTAL AMOUNT}}$ is in Decimal,

Then always do upper Round off i.e. consider the decimal as a whole number.

Concept 3: How to calculate Due Date ?**For Normal Transaction (other than BOE)**

Due Date = Transaction Date+ Credit period.

Note: If credit period is not given the Transaction Date will be taken as Due Date.

For Bill of Exchange

Due Date/ Maturity Date = Date of Bill + Tenure + 3 Days of Grace.

Concept 4: When payment is Delayed.

When payment is delayed i.e. the payment is done after, ADD, then in such situation we have to pay interest for a period from *ADD till Date Of Payment (DOP)*.

$$\text{Interest} = \text{Total Amount} \times \text{Interest \%} \times \frac{\text{No.of Days from ADD till DOP}}{365}$$

Concept 5: When payment is made before ADD.

When payment is made before ADD, then in such situation we have to receive interest or in other words there will be savings in interest for a period from *Date Of Payment (DOP) till ADD*.

$$\text{Savings in Interest} = \text{Total Amount} \times \text{Interest \%} \times \frac{\text{No.of Days from DOP till ADD}}{365}$$

Concept 6: Interest on Drawing with the help of ADD

- (i) **Due Date:** Date of Drawings will be treated as Due Date.
- (ii) **Base Date:** Earliest Date of Drawings should be taken as Base Date.
- (iii) **Calculate ADD as usual.**
- (iv) **Interest on drawings shall be calculated from ADD till the year end.**

$$\text{Interest on Drawings} = \text{Total Drawings} \times \text{Interest \%} \times \frac{\text{No.of Days from ADD till year end}}{365}$$

Concept 7: Mutual Dealings

- (i) When both the parties have to pay and receive from each other, then we say it is the case of mutual Dealing.
- (ii) Here ADD Will be calculated as usual. Just Keep in mind that Receivable –payable= Net amount Receivable or Payable will be settled on ADD.

Concept 8: Calculation of Interest on Loan using ADD

- (i) **Due Date:** Date of Installment
- (ii) **Base Date:** Date of Loan Taken (DOLT)
- (iii) **Calculate ADD as usual.** (ADD represents the date of repayment of loan)
- (iv) **Now calculate Interest on loan from DOLT till ADD.**

$$\text{Interest on Loan} = \text{Total Loan} \times \text{Interest \%} \times \frac{\text{No.of Days from DOLT till ADD}}{365}$$