

SPECIFIC-CASE

WORKSHEET 8 OF 9

# Supplier Accelerates Payment Terms — Net-60 to Net-30

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*Scenario: your third-largest supplier, accounting for 18% of your monthly purchasing, notifies you that effective next month their standard terms will move from net-60 to net-30 across all accounts. The change is non-negotiable on their side. You have 3 weeks before the new terms take effect on the first new order. Fill this worksheet before your next purchase decision.*



*Cash Flow Management Essentials*  
by Ibrahim Anwar

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## What This Is For

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A supplier accelerating terms from net-60 to net-30 doubles the monthly cash obligation to that supplier, effective immediately on the first order placed under the new terms. This worksheet calculates the full impact — not just the increased monthly outflow, but whether the current DSO and DIO structure has enough room to absorb it, and whether the break-even calculation between accepting the acceleration and switching to an alternative supplier favors staying or moving.

Three weeks is enough time to make this decision deliberately rather than reactively. The operator who sits down with this worksheet in the first week has two weeks remaining to negotiate, test alternatives, or accelerate their own collection enough to offset the impact. The operator who picks up this calculation the day before the new terms take effect has one option: absorb the hit and hope cash holds.

## Benefits

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What you get when you actually run this worksheet on a real situation:

- Quantifies the additional monthly cash requirement created by the term acceleration — a specific dollar figure, not a vague 'cash will be tighter.'
- Tests whether the conservative OCF scenario can sustain the new outflow level before the first order is placed under the new terms.
- Calculates the break-even between bridging with credit and switching to an alternative supplier — a comparison that almost never happens intuitively.
- Identifies which three customers to approach for early payment acceleration that could offset the supplier term change without any credit involvement.
- Gives the operator a three-week decision timeline with named options at each point.

## Framework To Use

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### — Absorb-Bridge-Switch Decision Matrix

*Three paths, one quantified comparison. Know the cost of each before choosing.*

#### Response Options to Term Acceleration

Path	Monthly Cost	Risk	Time Required
Absorb — accept new terms as-is	Additional outflow + credit interest if needed	Cash shortfall if OCF falls	None — immediate
Bridge — use credit line to cover gap	Credit interest only if collections hold	Refinancing risk if line is reduced	1 week to arrange
Switch — qualify alternative supplier	Onboarding + quality + volume premium (one-time)	Supply disruption during transition	3–8 weeks minimum

## How To Use

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Follow these steps in order. Each one builds on the previous.

- 1 Calculate the additional monthly cash outflow created by net-30 versus net-60 on this supplier's volume: monthly purchase volume from this supplier divided by 2. That is the additional cash that must be available each month under the new terms. Enter in row two.
- 2 Enter current monthly average total outflow in row three. Add row two to get the new monthly total outflow in row four.
- 3 Enter the 12-week average operating cash flow in row five. Enter the conservative OCF scenario in row six (70% of actual average).
- 4 Row seven: does the conservative OCF cover the new outflow level? This is not a question about whether current cash is sufficient — it is whether the minimum reliable scenario generates enough to cover the new structure without shortfall.
- 5 Enter unused credit facility in row eight. Calculate monthly credit cost if the entire additional outflow is bridged by credit in row nine.
- 6 Research and enter the monthly price differential versus an alternative supplier in row ten. This is the ongoing cost of switching — typically a premium for a less-established relationship.
- 7 Row eleven: calculate break-even month between credit cost and switching cost. Switching is a one-time cost; credit is an ongoing cost. The month at which cumulative credit cost exceeds the one-time switching cost is the break-even.
- 8 Make the decision: if the conservative OCF covers the new outflow, absorb. If not, compare monthly credit cost to switching cost over the expected duration of this supplier relationship. Choose the lower-cost path.

## Example Use

*A restaurant supplies wholesaler with \$95,000 in average monthly revenue receives the term acceleration notice from a refrigeration equipment supplier that accounts for \$17,000 in monthly purchasing. The notification arrives on a Wednesday with three weeks until the new terms apply.*

Row two: additional monthly outflow =  $\$17,000 / 2 = \$8,500$ . That is the additional cash required each month because payment must now arrive in 30 days instead of 60. Row three: current total monthly outflow \$74,000. Row four: new monthly total outflow \$82,500.

Row five: 12-week average OCF \$13,200. Row six: conservative OCF \$9,240. Row seven: does \$9,240 cover the new outflow structure? Operating cash flow covers the business's net position, not gross outflows — the comparison is whether net OCF remains positive under the new structure. At \$82,500 in outflows against average revenues generating \$95,000 in receipts (with collection lag), the average monthly net is approximately \$13,000. Under conservative assumptions, the net drops to approximately \$8,700. The conservative scenario produces a thin but positive net position — so technically it is absorbable, but with almost no buffer.

Row nine: if bridging with credit, monthly interest on \$8,500 at 11% annual = \$78 per month. Row ten: alternative supplier pricing is \$680 per month higher (\$8 per item across 85 units average). Row eleven: break-even between credit and switching = \$680 (ongoing switching cost differential) vs \$78 (ongoing credit cost). Switching costs more per month than bridging by credit.

Decision: accept the new terms, bridge the first two months with the credit line if necessary, and offset with collection acceleration. The wholesaler contacts the three largest restaurant accounts and requests the invoices currently on 45-day terms be moved to 30-day terms with a 0.5% early-payment discount. Two agree. The accelerated collection effectively offsets the additional supplier outflow without any net credit draw.

# The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

## Supplier Accelerates Payment Terms — Net-60 to Net-30

*Scenario: your third-largest supplier, accounting for 18% of your monthly purchasing, notifies you that effective next month their standard terms will move from net-60 to net-30 across all accounts. The change is non-negotiable on their side. You have 3 weeks before the new terms take effect on the first new order. Fill this worksheet before your next purchase decision.*

ITEM	AMOUNT (\$)	NOTES
Average monthly purchase volume from this supplier		
Additional cash required per month under net-30 vs net-60		
Current monthly average outflow total		
New monthly average outflow total (with adjusted terms)		
Operating cash flow — 12-week average		
Operating cash flow — conservative scenario		
Does conservative OCF cover the new outflow level? (Y/N)		
Credit facility available to bridge the gap (\$)		
Monthly cost of bridging with credit (\$)		
Alternative supplier monthly price differential (\$)		
Break-even month: credit cost vs switching cost		

## Reflection Prompts

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*After filling in the worksheet on the previous page, work through these.*

1. The term acceleration doubles your cash payment obligation to this supplier each month. Before accepting, calculate whether your current DSO and DIO structure leaves room to absorb it. If DSO is currently 52 days on 45-day terms, accelerating your own collections by 10 days could offset the additional outflow without touching a credit line. Name the three customers you would approach first for an early-payment conversation.

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2. If switching to an alternative supplier is viable: cost the switch fully — onboarding, quality verification time, delivery reliability uncertainty in the first 90 days, and any initial volume premium. Compare that one-time switching cost to the monthly credit cost over the expected duration of this supplier relationship. The break-even month tells you when credit becomes the more expensive option.

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# Tips and Traps

## TIPS

- Act in week one of the three-week window, not week three. The customers most likely to accept an early-payment arrangement will respond within a week — starting that conversation early gives you time for their response before the supplier terms take effect.
- The additional monthly outflow in row two is the additional cash required. It is not the full monthly purchase volume — it is the difference in cash timing. On net-60, you were holding the cash for 60 days; on net-30, you hold it for 30. The extra \$8,500 in the example is capital that was free for 30 additional days and now is not.
- If the supplier says the change is non-negotiable across all accounts, test whether 'all accounts' includes loyalty programs or volume-based exceptions. A written request citing your purchase volume and payment record will occasionally produce a carve-out, even after a general announcement.
- Build the alternative supplier assessment independently of the term change decision. If switching is not viable this month, it may be viable in six months. Having a second qualified supplier ready to absorb volume is worth doing regardless of how the term negotiation resolves.
- When calculating break-even, use the full monthly cost differential — not just price, but logistics, quality consistency, and relationship management time. A \$680 monthly price premium often understates total switching cost.

## TRAPS

- Assuming the conservative OCF comfortably covers the new outflow because average OCF does. Conservative OCF is the floor scenario — it is the number where spending decisions must still be viable. Rely on average and you are betting on above-average performance to cover a structural change.
- Treating the credit bridge as cost-free because the credit facility exists. It is not free — it has an interest cost, it reduces available credit for other purposes, and repeated drawing signals to the bank that the business's working capital structure is under stress.
- Making the switch decision based on price alone without costing the transition. Supplier transitions have disruption costs, quality verification delays, and volume-ramp timelines. These costs are real and often larger than the first estimate.
- Not documenting the decision and the calculation. Three months later, when this supplier's terms come up for review or when the break-even question arises again, there will be no record of the numbers that drove the original decision.
- Attempting to negotiate with all vendors simultaneously when absorbing the additional outflow requires some collection acceleration. Approach only the two or three customers most likely to accept early payment terms — multiple simultaneous negotiations dilute focus and risk damaging relationships that are not yet under pressure.

# Appendixes

## Appendix A – Collection Acceleration Offset Calculation

Additional monthly outflow from term change : \$ \_\_\_\_\_

To offset without credit: find customers whose term acceleration would generate equivalent cash.

Step 1 – Calculate daily revenue:

Average monthly revenue ÷ 30 = \$ \_\_\_\_\_ / day

Step 2 – Calculate days of collection needed:

Additional monthly outflow ÷ daily revenue = \_\_\_\_\_ days

So if you can shorten DSO by that many days, you offset the supplier term change without drawing on credit.

Step 3 – Identify candidates:

Customers currently on 45-day terms who could move to 30-day with a 0.5% early-payment incentive. Calculate incentive cost:

Monthly volume × 0.5% = \$ \_\_\_\_\_ incentive

vs credit interest of = \$ \_\_\_\_\_

Choose the lower cost.

## Appendix B – Supplier Switch Cost Checklist

One-time switching costs (estimate each):

Onboarding / qualification time (hours × rate): \$ \_\_\_\_\_

Quality verification testing : \$ \_\_\_\_\_

Trial order at premium pricing : \$ \_\_\_\_\_

Disruption buffer stock (one month extra) : \$ \_\_\_\_\_

Total one-time switching cost : \$ \_\_\_\_\_

Ongoing monthly cost differential:

Price difference per unit × average monthly units: \$ \_\_\_\_\_

Logistics cost change (if any) : \$ \_\_\_\_\_

Total ongoing monthly cost differential : \$ \_\_\_\_\_

Break-even month:

Total one-time cost ÷ ongoing monthly differential = \_\_\_\_\_ months

If break-even > 18 months: switching is unlikely to be cost-justified unless the ongoing risk of sole-source dependency outweighs the cost.



WHERE THIS WORKSHEET COMES FROM

# Cash Flow Management Essentials

*Why Profitable Businesses Still Run Out of Money*

by Ibrahim Anwar

This worksheet is one of nine in the *Cash Flow Management Essentials* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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Read the source book on Google Play Books:

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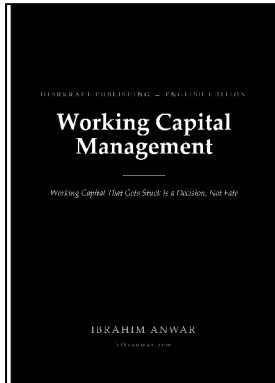
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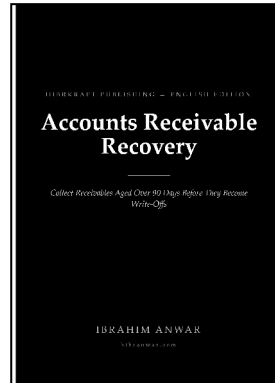
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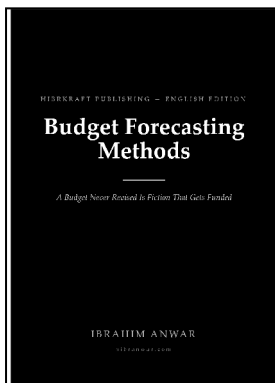
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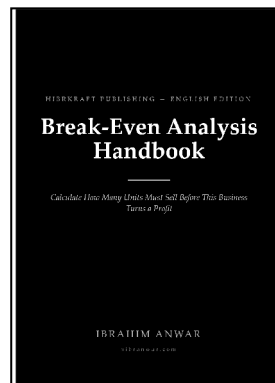
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