

The Purchasing Post

Payment Terms

In soliciting bids, placing orders, and establishing contracts, an often overlooked condition of doing business is paying the vendor. Establishing good payment terms can be beneficial to the department and University. Will the vendor take the University's business procurement card? Vendors will receive their money quickly and dept. saves on paperwork. Can the dept. process a payment voucher quickly? Setting up payment terms such as "1% 10, net 30" will allow the dept. to obtain a discount on the items if payment can be made to the vendor in 10 days. On services, could one annual payment be made instead of monthly or quarterly? Both parties will save time & money on the paperwork of invoicing and processing payment if the number & frequency of payments can be reduced.

Purchasing Office's standard practices for payment terms are:

- Set payment terms as "net 30";
- Encourage acceptance of the Business Procurement Card;
- Don't pay in advance;
- Don't make partial payments;
- Don't pay finance charges.

These five points are our baseline in setting up payment terms in contracts. As always, exceptions can be made to these practices due to extenuating circumstances. If the piece of equipment is customized, a down payment is not uncommon to bind both parties to the contract. Another example of an exception is the work being done is large and costly, such as construction. Partial payments are made as work progresses so the vendor can meet its obligations to payroll, etc. Services, such as express delivery, involve multiple, small dollar charges and require payment terms of net 14 days to keep the cash flowing.

Next month's issue will discuss more about payment processes.



DA146a Update

The Contractual Provisions Attachment form, aka DA146a, has been updated again this year.

The new October 2011 version is attached to this post and is also available at the Purchasing website, as well as through e-forms.

Please delete all previous versions.

