

Paul Robbins training and consultancy

Credit Management

Calculating Interest Penalties for Late Payment

Exercise 1 **Model Answer**

Question 1

The business you work for is owed £2,100 plus VAT from a credit customer. The debt is 35 days overdue. The Bank of England official dealing rate (base rate) is currently 0.5%.

Calculate the amount of interest which can be charged under the Late Payment of Commercial Debts (Interest) Act 1998, showing your answer to two decimal places.

$$\text{£2,520} \times 8.5\% \times (35 / 365)$$

$$= \text{£20.54}$$

Question 2

The business you work for is owed £800 plus VAT from a credit customer. The debt is 50 days overdue. The Bank of England official dealing rate (base rate) is currently 0.5%.

Calculate the amount of interest which can be charged under the Late Payment of Commercial Debts (Interest) Act 1998, showing your answer to two decimal places.

$$\text{£960} \times 8.5\% \times (50 / 365)$$

$$= \text{£11.18}$$

Question 3

The business you work for is owed £5,600 plus VAT from a credit customer. The debt is 60 days overdue. The Bank of England official dealing rate (base rate) is currently 0.5%.

Calculate the amount of interest which can be charged under the Late Payment of Commercial Debts (Interest) Act 1998, showing your answer to two decimal places.

$$\text{£}6,720 \times 8.5\% \times (60 / 365)$$

$$= \text{£}93.90$$

Question 4

The business you work for is owed £7,700 plus VAT from a credit customer. The debt is 30 days overdue. The Bank of England official dealing rate (base rate) is currently 0.5%.

Calculate the amount of interest which can be charged under the Late Payment of Commercial Debts (Interest) Act 1998, showing your answer to two decimal places.

$$\text{£}9,240 \times 8.5\% \times (30 / 365)$$

$$= \text{£}64.55$$