Measuring DSO Traditional method versus OIKOS Delos®

Traditional DSO Metric

$$= \frac{\text{Accounts Receivable}}{\text{Total Credit Sales}} \times \text{Number of Days}$$

OR

$$= \left[\frac{\text{Accounts Receivable}}{\left(\frac{\text{Total Credit Sales}}{\text{Number of Days}} \right)} \right]$$

Illustration- Company A calculates a 3 month DSO forecast or DSO actual

a. Company A's AR end of 3rd month of business is $1,000,000
b. The Total Credit Sales for the 3 mo period = 1,800,000

	Days in Company A's Fiscal Month	
b3 500,000 month 3	28	4 week
b2 850,000 month 2	28	4 week
b1 450,000 month 1	35	5 week
c. Number of days representing 3 month period	91	13 weeks

Traditional metric =

1,000,000/1,800,000 x 91 =	AR	1.000.000	
	Total Credit Sales	1.800.000	
	DSO = 50.6 days	0,56	50,56

OIKOS Delos® metric =

a - b3/b2 x b2days + b3 days	AR	1.000.000	
	b3 credit sales	500.000	
	b3 credit sales / b2 credit sales x b2 days + b3 days	500.000	850.000
	DSO = 44.5 days	0,59	44,47

	How does this affect measurement efficiency, planning & materiality?	
Difference between Traditional metric & OIKOS Delos® ▲6.4 days		
If daily AR lockbox was quantified at an AVG ~ $21,505 ; 6.4 days =	137.632	14%

How would the calculation change if the ***days*** in the period were reversed to a 4-4-5 quarter?

Month 3		35	5 week
Month 2		28	4 week
Month 1		28	4 week
Number of days representing 3 month period		91	13 weeks
How would OIKOS Delos® calculate the DSO?		500.000	850.000
	DSO = 51.5 days	0,59	51,47

An increase of 7 days due to increase in Month 3 days @ 35 instead of 28

How would the calculation change if the days in the period were representative of calendar?

Month 3		31	
Month 2		28	
Month 1		31	
Number of days representing 3 month period		90	13 weeks
How would OIKOS Delos® calculate the DSO?		500.000	850.000
	DSO = 47.5 days	0,59	47,47