

Accounts Payable KPIs

1 Days Payable Outstanding (DPO)



Days payable outstanding (DPO) measures the average number of days an organization takes to pay its invoices.

$$\text{Days Payable Outstanding} = \left(\text{Average Accounts Payable} / \text{Cost of Goods Sold} \right) \times \text{Number of Days}$$

- **Average Accounts Payable:** The average amount owed to suppliers, typically calculated by averaging the beginning and ending accounts payable balances for the period.
- **Cost of Goods Sold (COGS):** The direct costs attributable to the production of the goods sold by the company.
- **Number of Days:** The number of days in the period being analyzed, usually 365 for a year.

2 AP Turnover Ratio



The AP turnover ratio indicates how often a company pays off its suppliers during a specific period.

$$\text{AP Turnover Ratio} = \text{Total Supplier Purchases} / \text{Average Accounts Payable}$$

- **Total Supplier Purchases:** The total value of purchases made from suppliers over a specific period.
- **Average Accounts Payable:** The average amount owed to suppliers, typically calculated by averaging the beginning and ending accounts payable balances for the period.

3

Invoice Processing Time



Invoice processing time measures the average time taken from receiving an invoice to completing its payment.

$$\text{Invoice Processing Time} = \frac{\text{Total Processing Time for All Invoices}}{\text{Total Number of Invoices}}$$

- **Total Processing Time for All Invoices:** The cumulative amount of time taken to process all invoices within a specific period.
- **Total Number of Invoices:** The total number of invoices processed during that period.

4

Cost per Invoice Processed



Cost per invoice processed calculates the total cost incurred to process a single invoice, including labor, technology, and overhead costs.

$$\text{Cost per Invoice Processed} = \frac{\text{Total AP Processing Costs}}{\text{Total Number of Invoices Processed}}$$

- **Total AP Processing Costs:** The total expenses incurred in the AP process, including labor, technology, and overhead costs.
- **Total Number of Invoices Processed:** The total number of invoices processed in the given period.

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Invoice Approval Time



Invoice approval time measures the average time taken for an invoice to be approved for payment after it is received.

$$\text{Invoice Approval Time} = \frac{\text{Total Approval Time for All Invoices}}{\text{Total Number of Invoices}}$$

- **Total Approval Time for All Invoices:** The cumulative time taken to approve all invoices during a specific period.
- **Total Number of Invoices:** The total number of invoices that required approval in that period.

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Discount Captured Rate



The discount captured rate tracks the percentage of available early payment discounts that a company successfully takes advantage of.

$$\text{Discount Captured Rate} = \left(\frac{\text{Total Discounts Captured}}{\text{Total Discounts Available}} \right) \times 100$$

- **Total Discounts Captured:** The total value of early payment discounts that the company successfully utilized.
- **Total Discounts Available:** The total value of early payment discounts that were available to the company.

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Late Payment Rate



The late payment rate measures the percentage of invoices that are paid after their due date.

$$\text{Late Payment Rate} = \left(\frac{\text{Number of Late Payments}}{\text{Total Number of Payments}} \right) \times 100$$

- **Number of Late Payments:** The number of invoices paid after their due date.
- **Total Number of Payments:** The total number of invoices paid in the given period.

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Invoice Exception Rate



The invoice exception rate tracks the percentage of invoices that encounter issues during processing, such as discrepancies or missing information.

$$\text{Invoice Exception Rate} = \left(\frac{\text{Number of Invoices with Exceptions}}{\text{Total Number of Invoices}} \right) \times 100$$

- **Number of Invoices with Exceptions:** The number of invoices that had issues during processing.
- **Total Number of Invoices:** The total number of invoices processed in the given period.

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Percentage of Electronic Payments



The percentage of electronic payments measures the proportion of payments made electronically versus traditional methods like checks.

$$\text{Percentage of Electronic Payments} = \left(\frac{\text{Total Electronic Payments}}{\text{Total Payments}} \right) \times 100$$

- **Total Electronic Payments:** The number of payments made electronically in a specific period.
- **Total Payments:** The total number of payments made in that period.

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AP Error Rate



The AP error rate measures the frequency of errors in the accounts payable process, such as incorrect payments or data entry mistakes.

$$\text{AP Error Rate} = \left(\frac{\text{Total Number of Errors}}{\text{Total Number of Invoices}} \right) \times 100$$

- **Total Number of Errors:** The number of errors encountered in the AP process.
- **Total Number of Invoices:** The total number of invoices processed in the given period.