How to calculate DSO

Day Sales Outstanding
the number of days to collect cash from invoice receivables.

1 Know the Math

$$\left(\frac{\text{Total A/R Outstanding (in a specific period of time)}}{\text{Total Sales (during the same period)}} \right) \times \text{Number of Days (during the same period)} = \text{DSO}$$

For example: If over a **90 Day** period your trucking company has:

- **$300,000.00** in outstanding A/R
- **$600,000.00** in generated Sales

Then the calculation is:

$$\left(\frac{\$300{,}000.00}{\$600{,}000.00} \right) \times 90 = \textbf{45 Days}$$

DSO = 45 Days

2 Monitor the Numbers

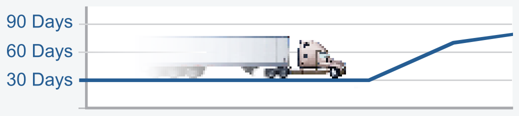
Track your DSO frequently:
It is highly recommended to assess DSO at least once a quarter.

Track your DSO on a Trend Line:
Watching for sudden spikes in the trend line will effectively predict the probability of upcoming cash flow problems.

Keep it in the Comfort Zone:
DSO should not exceed the credit terms you extend to your customers by more than a third to a half.

If credit terms to customers is 30 days, an acceptable DSO would be between 40 and 45 days

3 Take Action



Take action if your customers are slow to pay and your DSO is rising

5 Action Items to Get Paid Faster

- Always invoice as soon as possible
- Only extend credit to deserving customers
- Reward customers with discounts for paying early
- Be consistent and follow up on late payments
- Consider Freight Factoring to improve Cash Flow

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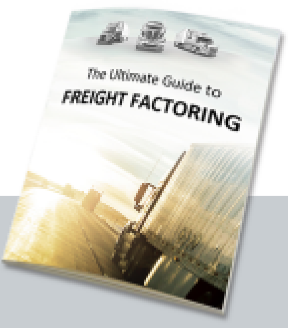
Want to learn how **FREIGHT FACTORING** can improve cash flow?



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