Purchase Order Terms
For Domestic and International Purchases

Net
Payment is due when the invoice is presented, which is usually when the goods are delivered. Most businesses avoid purchases using this term.

Net 10
Payment is due within ten days from the date of the invoice. Most businesses avoid purchases using this term.

Net 25th Prox.
Invoices issued in a given month must be paid by the 25th of the following month.

Net 15th and 30th Prox.
Invoices issued from the 1st through the 15th of a given month must be paid by the 15th of the following month. Invoices issued from the 16th through the last day of a given month must be paid by the 30th of the following month.

Net 15th Prox.
Invoices issued must be paid by the 15th of the following month.

Net 10th and 25th Prox.
Invoices issued from the 1st through the 15th of a given month must be paid by the 10th of the following month. Invoices issued from the 16th through the last day of a given month must be paid by the 25th of the following month.

Net 10th Prox.
Invoices issued must be paid by the 10th of the following month.

Net 30 Days
The most commonly used payment term. Normally means invoices issued in a given month must be paid within 30 days of the date the invoice was issued. However, the buyer may require that the time for measuring payment terms begins from the latter of the scheduled delivery date, the invoice date, or the date of receipt of the goods. Such a requirement should be written on the face of the purchase order or included in the boiler plate on the reverse of the document.

Net 25th Instant or 10th Prox.
Invoices issued from the 1st through the 15th of a given month must be paid by the 25th of that same month. Invoices issued from the 16th through the last day of a given month must be paid by the 10th of the following month. (Some purchase orders may refer to these terms as “X% SM”).

X% 10th & 25th Prox.
X discount is given for invoices issued from the 1st through the 15th of the month which are paid by the 10th of that same month. The discount is also given for invoices issued from the 16th through the last day of the month which are paid by the 10th of the following month. This is also in effect for invoices issued from the 16th through the last day of the month and paid by the 25th of the following month.

X% 20th Prox.
X discount is given when invoices issued in a given month are paid by the 20th of the following month.

X% 15th Prox.
X discount is given when invoices issued in a given month are paid by the 15th of the following month.

X% 10th Prox.
X discount is given when invoices are paid by the 10th of the following month.

X% 30th Instant or 15th Prox.
X discount is given for invoices issued from the 1st through the 15th of the month which are paid by the 30th of that same month. This discount is also given for invoices issued from the 16th through the last day of the month which are paid by the 15th of the following month.

X% 15th and 30th Prox.
X discount will be extended if invoices issued from the 1st through the 15th of a given month are paid by the 15th of the following month. This discount is also in effect for invoices issued from the 16th through the last day of a given month which are paid by the 30th of the following month.

X% 15 Days Net 20th Prox.
X discount will be extended if invoices issued on a given date are paid within 15 days. Invoices issued in a given month must be paid by the 20th of the following month.

X% 10 Days Net 30 Days
A specified X discount will be extended if invoices issued on a given date are paid within 10 days. Invoices must be paid within 30 days of the date the invoice was issued.

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X% 25th Prox.
A specified X discount will be extended when invoices issued in a given month are paid by the 25th of the following month.

F.O.B. (name of some location)
Literally means “Free on Board.” The named destination is the point where the title to the goods passes from the seller to the buyer. Thus, F.O.B. Philadelphia means that title to the goods passes to the buyer in Philadelphia. F.O.B. Shipping Point means that title to the goods passes to the buyer where the goods are shipped.

F.O.B.-EXW
The goods are placed on board a ship by the seller at a port of shipment named in the contract. The risk of loss or damage to the goods is transferred from seller to buyer.

C&F
“Cost and Freight” means the seller must pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss of or damage to the goods, as well as of any cost increases, is transferred from seller to buyer when the goods pass the ship’s rail in the port of shipment.

C.I.F.
CIF means “Cost, Insurance, Freight.” This term is basically the same as C&F but with the addition that the seller has to procure marine insurance against the risk of loss of or damage to the goods during the carriage. The seller contracts with the insurer and pays the premium.

Ex Works - EXW
Seller makes goods available on his premises. The seller is not responsible for loading goods into any vehicle provided by the buyer. Buyer has full cost and risk involved with goods from sellers plant to the destination.

Ex Ship - EXS
The seller makes the goods available to the buyer on board the ship at the destination named in the sales contract. The seller has to bear the full cost and risk.

Ex Quay - EXQ
The seller makes the goods available to the buyer on the wharf named in the sales contract. The seller has to bear the full cost and risk involved in bringing the goods there.

Ex Quay Duty Paid - EXQ Duty Paid
Used where duty is paid by the seller.

Ex Quay Duties On Buyer’s Account
Used where the buyer pays the duty.

Delivered At Frontier - DAF
The seller’s obligations are fulfilled when the goods have arrived at the frontier but before the customs of the country named in the sales contract.

Delivered Duty Paid - DDP
While the term “Ex Works” signifies the seller’s minimum obligation, the term “Delivered Duty Paid” when followed by words naming the buyer’s premises, denotes the other extreme - the seller’s maximum obligation. If the parties wish that the seller should clear the goods for import but that some of the costs payable upon the import of the goods should be excluded, such as value added tax (VAT) and/or other similar taxes, this should be made clear by adding words to this effect (e.g., “exclusive of VAT and/or taxes”).

F.O.R
Literally “Free on Rail.” Title and risk pass from the seller to the buyer when the goods are delivered to the carrier.

F.O.T.
Literally “Free on Truck.” Title and risk pass from the seller to the buyer when the goods are delivered to the carrier.

WHEN THE PAYMENT PERIOD BEGINS
Credit normally begins at the time of shipment of goods, but post-dating the invoice or delaying its dispatch correspondingly delays the starting of the credit period (See Section 2-310 d of the Uniform Commercial Code). However, the buyer should not have to pay early when the supplier ships earlier than the buyer wanted. Inclusion of the following term helps remedy that situation. "Payment and payment discounts shall date from the scheduled delivery date, the date the goods are physically received, or the date of invoice whichever is later."

TERMS TO AVOID

ASAP
Meaning "as soon as possible." It is best to avoid using this term because the meaning is vague. As soon as possible for a large piece of capital equipment might be six months, whereas a box of off the shelf hardware might be deliverable the next day. It is better to be specific. Give a specific date you want the goods to arrive or the service performed.

Rush
Same reason as above for ASAP. The term is vague. Ask the supplier to give you the earliest delivery date and then specify that date in your contract or purchase order document.

Best Way
Used by some buyers to tell the supplier how to ship rather than the name of a carrier. However, a misunderstanding may result because there is a truck line with the name, "Best Way." The term is also vague. Does the buyer mean fastest way or cheapest way? If title to the goods passes from seller to buyer at the shipping point, then the buyer should care how the goods are going to be shipped and may either specify the name of a carrier or cheapest way or fastest way.