

# Proration Rule

## Proration Methods

Ordway supports two methods of partial period prorate that can be enabled by navigating to **Setup > General Settings > Subscription Settings > Prorate Partial Period Charges**.

Once enabled, you can select between two separate prorations methods:

Prorate by month first

Prorate with exact days

This is a global setting and is used in all recurring charges that have Partial Period Proration selected for the Proration Rules with its Billing Information.

## Prorate by Month First

This method:

Calculates the number of full months in the billing period

For partial months, calculates the ratio of active days to total days in that month

### Formula:

```
multiplier = full_month_diff - duration_past_for_start_period + remaining_from_end_period  
prorated_price = base_price * multiplier (or base_price/billing_frequency * multiplier)
```

Where:

`full_month_diff` is the number of full months between start and end periods

`duration_past_for_start_period` is the ratio of days already past in the start month

`remaining_from_end_period` is the ratio of days remaining in the end month

## Prorate with Exact Days

This method:

Calculates the exact number of active days in the billing period

Divides by the total number of days in the full billing period

```
multiplier = prorated_period_days / full_period_days  
prorated_price = base_price * multiplier
```

Where:

`full_period_days` total number of days in the full billing cycle from the start date of the partial period.

## Proration Rules

For recurring charges, Ordway supports three different proration rules that can be used for billing. The prorated amount to be billed to a customer is reflected in the Unit Price of a prorated billing schedule line. The description of a line will also include an additional tag of [partial period] to indicate that a billing schedule line has been prorated.

**Partial Period Proration** - Prorated amount will be billed to the customer for the first partial month/period of the billing period selected for the charge. Mid-contract changes will also include proration. These changes include mid-period changes such as additional units or a change in price. Mid-contract cancellations will also result in proration and a negative billing schedule line will be generated to account for the amount the customer can be credited.

**Current Full Period** - Full amount will be charged in the first billing period based on the charge ready date. No prorated amount will be billed or credited to the customer upon cancellation.

**Next Full Period** - Full amount will be charged in the next full billing period from the first charge ready date. No prorated amount will be billed or credited to the customer upon cancellation.

## Calculation Examples

### Prorate by Month

**Example 1:** \$120/Month, Mar 26 - Feb 13, 2025

Charge Ready Date	Description	Start Date	End Date	Unit Price	Qty	Discount	Amount
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Mar 26, 2024	rec\$120M onth	Mar 26, 2024	Apr 25, 2024	\$120.0 0	1	0%	\$120.0 0
Apr 26, 2024	rec\$120M onth	Apr 26, 2024	May 25, 2024	\$120.0 0	1	0%	\$120.0 0
May 26, 2024	rec\$120M onth	May 26, 2024	Jun 25, 2024	\$120.0 0	1	0%	\$120.0 0
Jun 26, 2024	rec\$120M onth	Jun 26, 2024	Jul 25, 2024	\$120.0 0	1	0%	\$120.0 0
Jul 26, 2024	rec\$120M onth	Jul 26, 2024	Aug 25, 2024	\$120.0 0	1	0%	\$120.0 0
Aug 26, 2024	rec\$120M onth	Aug 26, 2024	Sep 25, 2024	\$120.0 0	1	0%	\$120.0 0
Sep 26, 2024	rec\$120M onth	Sep 26, 2024	Oct 25, 2024	\$120.0 0	1	0%	\$120.0 0
Oct 26, 2024	rec\$120M onth	Oct 26, 2024	Nov 25, 2024	\$120.0 0	1	0%	\$120.0 0
Nov 26, 2024	rec\$120M onth	Nov 26, 2024	Dec 25, 2024	\$120.0 0	1	0%	\$120.0 0
Dec 26, 2024	rec\$120M onth	Dec 26, 2024	Jan 25, 2025	\$120.0 0	1	0%	\$120.0 0
Jan 26, 2025	rec\$120M onth	Jan 26, 2025	Feb 13, 2025	\$70.32	1	0%	\$70.32

Line #	Start Date	End Date	Start Date Base	End Date Base	Last line Start Base	Last line End Base
first	2024-03-2 6	2024-04-2 5	31	30		
last	2025-01-2 6	2025-02-1 3	31	28	30	31

If start or end date bases for last and first line defers. We take bases from first line to align with first line and avoid proration errors as much as possible.

Last Line Start Base = First line end base (30)

Last Line End Base= First line start base (31)

**Formula:**

```
multiplier = full_month_diff - duration_past_for_start_period +
remaining_from_end_period
prorated_price = base_price * multiplier
(or base_price/billing_frequency * multiplier)
```

full\_month\_diff is Jan to Feb = 1 month

duration\_past\_for\_start\_period is 25 days in Jan divided by 30 days as we align to first line end base

remaining\_from\_end\_period is 13 days in Feb divided by 31 days as we align to first line start base.

multiplier = 1 - 25/30 + 13/31 = 0.5860215054

prorated\_price = 120 \* 0.5860215054 = 70.322580648

**Example 2:** \$1000/Annum, Mar 26 - Apr 01, 2025

Charge Ready Date	Description	Start Date	End Date	Unit Price	Qty	Discount	Amount
26/03/2024	rec\$1000Annual	26/03/2024	25/03/2025	\$1000	1	0%	\$120.00
26/03/2025	rec\$1000Annual	26/03/2025	01/04/2025	\$1000	1	0%	\$18.8172043

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Line #	Start Date	End Date	Start Date Base	End Date Base	Last line Start Base	Last line End Base
first	2024-03-26	2025-03-25	31	31		
last	2025-03-26	2025-04-01	31	30	31	31

full\_month\_diff is Apr to May = 1 month

duration\_past\_for\_start\_period is 25 days in Mar divided by 31 days as we align to first line end base

remaining\_from\_end\_period is 1 day in Apr divided by 31 days as we align to first line start base.

multiplier =  $1 - 25/31 + 1/31 = 0.2258064516$

prorated\_price =  $1000 * 0.2258064516 = 18.8172043$

### Prorate by Exact Days

**Example 1:** \$120/Month, Dec 26 - Feb 13, 2025

Charge Ready Date	Description	Start Date	End Date	Unit Price	Qty	Discount	Amount
26/12/2024	rec\$120Month	26/12/2024	25/01/2025	\$120.00	1	0%	\$120.00
26/01/2025	rec\$120Month	26/01/2025	13/02/2025	\$70.5483870968	1	0%	\$70.5483870968

Billing Period	Start Date	End Date	# of Days
full_period	2025-01-26	2025-02-25	31
prorated_period	2025-01-26	2025-02-13	19

**Formula:**

multiplier = prorated\_period\_days / full\_period\_days

prorated\_price = base\_price \* multiplier

multiplier = 19/31 = 0.6129032258

prorated\_price = 120 \* 0.6129032258 = 73.5483870968

Example 2: \$300/Quarter, Mar 26 - Oct 13, 2024

Charge Ready Date	Description	Start Date	End Date	Unit Price	Qty	Discount	Amount
Mar 26, 2024	rec\$300Quarter	Mar 26, 2024	Jun 25, 2024	\$300.00	1	0%	\$300.00
Jun 26, 2024	rec\$300Quarter	Jun 26, 2024	Sep 25, 2024	\$300.00	1	0%	\$300.00
Sep 26, 2025	rec\$300Quarter	Sep 26, 2025	Oct 13, 2024	\$118.68131868	1	0%	\$118.68131868

Billing Period	Start Date	End Date	# of Days
full_period	2024-09-26	2024-12-25	91
prorated_period	2024-09-26	2024-10-31	36

multiplier = 36/91 = 0.3956043956

```
prorated_price = 120 * 0.3956043956 = 118.68131868
```