

Inventory
Turnover

Cost of Goods Sold
Average Inventory

Average Inventory = Inventory @ BOY + Inventory @ EOY/2

$$\frac{32}{(20+12)/2}$$

2.00 Times

Inventory
Turnover

Cost of Goods Sold
Average Inventory

Average Inventory = Inventory @ Beg of Yr + Inventory @ End of Yr / 2

The number of times a company sells and replaces its inventory during a given period.

$$\frac{\text{Average Days}}{\text{Sales in Inventory}} = \frac{365}{\text{Inventory Turn}}$$

The number of days of sales, on average, that a firm carries in inventory.

A

$$\text{Average Days Sales in Inventory} = \frac{365}{\text{Inventory Turn}}$$

$$\frac{365}{2.00} = \underline{182.5000 \text{ DAYS}}$$

Inventory - LIFO			
2@\$10	BB	20	
2 @ 12		24	34
		10	

Sold 3 markers
COGS?

2 @ 12
plus
1 @ 10

Inventory - FIFO			
2@\$10	BB	20	
2 @ 12		24	32
		12	

Sold 3 markers
COGS? 32

2 @ 10
plus
1 @ 12

Working capital is the amount of available capital that a company can readily use for day-to-day operations

Working Capital = Current Assets - Current Liabilities

