ACG 2021 Chapter 7

Various Ratios to evaluate results:

		Example	
Accounts Receivable Turnover	$\frac{\text{Sales}}{\text{Accounts Receivable}}$	$\frac{\$\ 940{,}000}{\$\ 120{,}000}$ =	7.83

Measures how quickly a company is collecting on its Accounts Receivable.
A high number is is typically good, but the number can vary
significantly due to the type of business and credit terms.

Avg. Number of Days to Collect A/R	$\frac{365}{\text{A/R Turnover}}$	$\frac{365}{7.83}$ =	46.62 Days

Whereas A/R Turnover measures the number of cycles
in a year that it takes to collect the A/R balance, this ratio
records the same thing in days. A lower number is typically
better, but it may also depend on the credit terms offered.