ACG 2021 Chapter 5

Various Ratios to evaluate results:

		Example		
Inventory Turnover	Cost of Goods Sold / Inventory	$ 270,000 / $ 60,000	=	4.50

Measures how quickly a company is selling its inventory.
A high number is is typically good, but the number can vary significantly due to the type of business.

Avg. Number of Days to Sell Inventory	365 / Inventory Turnover	365 / 4.50	=	81.11 Days

Whereas Inventory Turnover measures the number of cycles in a year that it takes to sell inventory balance, this ratio records the same thing in days. A lower number is typically better.