

Solution:

The net sales are given by \$2,565 million. However, assuming they are all on credit, we see that the net credit sales are given by \$2,565 million.

The average of accounts receivables is given by:

$$\text{Average Accounts Receivables} = \$ \frac{261 + 299}{2} \text{ million} = \$280 \text{ million}$$

Thus, we see that by the definition, the accounts receivable turnover is:

$$\text{Accounts Receivable Turnover} = \frac{\$2,565 \text{ million}}{\$280 \text{ million}} = 9.16$$

Thus, the accounts receivable turnover is 9.16. Using this, we see that the average collection period is given by:

$$\text{Average Collection Period} = \frac{365}{9.16} = 39.85 \text{ days}$$

Thus, we see that the average collection period is 39.85 days approx.