Q13. Calculate Inventory Turnover Ratio if:
Inventory in the beginning is Rs.76,250, Inventory at the end is Rs.98,500, Gross Revenue from operations is Rs.5,20,000 Sales Return Rs.20,000, purchases is Rs.3,22,250
Solution:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$\text{Cost of Revenue from Operations} = \text{Inventory in the begining} + \text{Purchases} - \text{Inventory at the end}$$
$$= 76,250 + 3,22,250 - 98,500$$
$$= 3,00,000$$

$$\text{Average Inventory} = \frac{\text{Inventory in the begining} + \text{Inventory at the end}}{2}$$
$$= \frac{76,250 + 98,000}{2}$$
$$= 87,375$$

$$\text{Inventory Turnover Ratio} = \frac{3,00,000}{87,375} = 3.43 \text{ times}$$

********** END *********