Q14. Calculate Inventory Turnover Ratio from the data given below.

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Inventory at the beginning of the year	10,000
Stock at the end of the year	5,000
Carriage	2,500
Revenue from Operations	50,000
Purchases	25,000

Solution:

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

$$\text{Cost of Revenue from operations} = \text{Inventory in the begining} + \text{Purchases} + \text{Carraige} - \text{Inventory at the end}$$

$$= 10,000 + 25,000 + 2,500 + -5,000$$
$$= 32,500$$

$$\text{Average Inventory} = \frac{\text{Inventory in the begining} + \text{Inventory at the end}}{2}$$

$$= \frac{10,000 + 5,000}{2}$$
$$= 7,500$$

$$\text{Inventory Turnover Ratio} = \frac{32,500}{7,500} = 4.33 \text{ times}$$

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