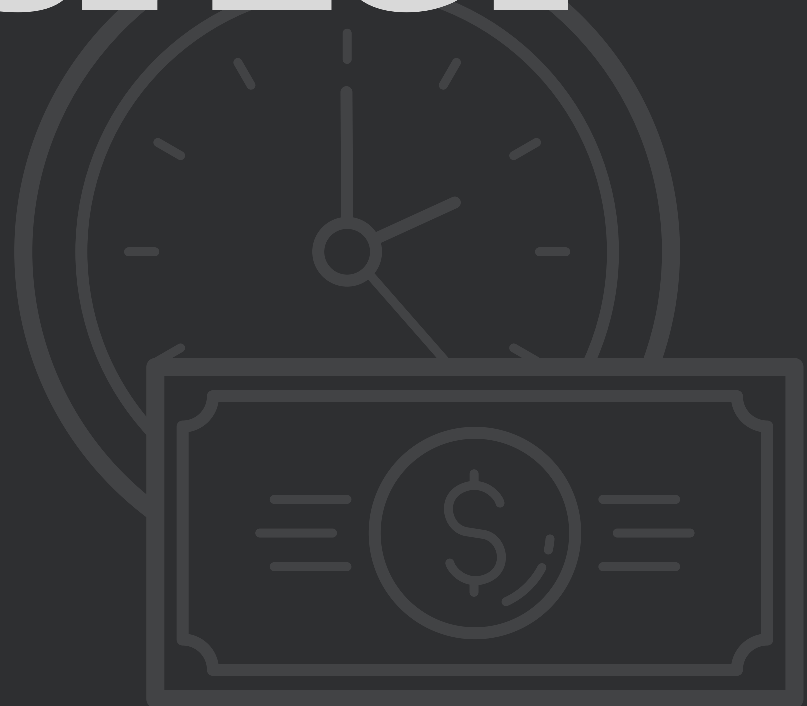
Flipside Finance

AN IN-DEPTH LOOK INTO THE TURNOVER ASPECT



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INVENTORY TURNOVER DAYS

Formula

$$\frac{\text{Average Inventory}}{\text{Cost of Goods Solds}} \times 365$$

Use Case

Measures how **efficiently** a company manages its inventory.

Nuances

Inventory turnover days **fluctuate** for seasonal stock or to guard against supply disruptions.

Example

If a company has $200,000 in COGS and $50,000 average inventory, the turnover days are 91.

Industry Benchmarks

Retail	20-25 days
Apparel & Fashion	60-120 days
Technology	60-90 days
Automotive	30-60 days
Food & Grocery	10-20 days
Pharma	90-120 days

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RECIEVABLES TURNOVER DAYS

Formula

$$\frac{\text{Avg accounts receivable}}{\text{Net credit sales}} \times 365$$

Use Case

Evaluates how quickly a company **collects** cash from **credit sales**.

Nuances

Early payment **discounts** boost receivable turnover by motivating **prompt settlement**.

Example

If a company has $500,000 in credit sales and $100,000 average receivables, the turnover days are 73.

Industry Benchmarks

Retail	25-40 days
Manufacturing	30-60 days
Technology	45-75 days
Pharma	20-80 days
Construction	60-180 days
Service industry	30-50 days

PAYABLE TURNOVER DAYS

Formula

$$\frac{\text{Avg Accounts Payables}}{\text{Cost of goods sold}} \times 365$$

Use Case

Evaluates how quickly a company **pays** its **suppliers**.

Nuances

It is a **double-edged sword**—High turnover yields liquidity but risks defaults.

Example

If a company has $300,000 in COGS and $60,000 average payables, the turnover days are 73.

Industry Benchmarks

Retail	40-60 days
Manufacturing	60-90 days
Technology	45-75 days
Construction	75-120 days
Service industry	30-45 days
Pharma	30-45 days

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