

CHAPTER 15 Managing Purchasing and Inventory

SOFTWARE ACTIVITY

Spreadsheet Application

OBJECTIVE: Calculate stock turnover and plan sales.

There are several calculations that business owners can use to measure the effectiveness of their inventory planning. One of the most often used calculations is the stock turnover rate. Stock turnover measures how many times the store has to replenish their average inventory in a given period and is calculated by dividing sales by average inventory.

The stock turnover rate can also be used to plan sales. Quite frequently, storeowners will determine a stock turnover rate that they wish to achieve. Using past sales records would allow them to estimate the average inventory they will need. Sales can then be calculated by multiplying average inventory by the planned stock turnover rate.

Practice Situation

The printout below shows the amount of average inventories for your store for last year. Calculate the stock turnover rate for the first five departments (Departments 1–5). Calculate sales for the next five departments (Departments 6–10).

Department	Sales	Average Inventory	Stock Turnover Rate
1	\$98,456.78	\$29,754.12	
2	\$1,546,239.00	\$100,923.00	
3	\$56,832.34	\$23,987.00	
4	\$29,654.45	\$25,982.00	
5	\$93,234.21	\$39,056.76	
6		\$65,234.00	2.5
7		\$67,234.75	1.5
8		\$87,333.21	2.6
9		\$98,234.00	3.1
10		\$98,322.11	1.2