

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

Spreadsheet Directions

1. Start your spreadsheet software program.
2. Recreate the table from the previous page using your spreadsheet program.
3. Enter the formula to calculate stock turnover rate for Departments 1–5. Enter the formula to calculate sales for Departments 6–10.
4. After completing your calculations, save your work.
5. Print out a copy of your work if your teacher has instructed you to do so.
6. Answer the following questions.

Interpreting Results

1. Examine the data for Departments 1–5. Which department has the highest stock turnover rate? Which the lowest?

2. Examine the data for Departments 6–10. Which department will have the highest planned sales? Which the lowest?

Drawing Conclusions

3. After you calculate the stock turnover rate for a department, how do you determine if any improvements are needed?

4. If you plan sales using the stock turnover rate, why might you still not reach your sales goal?
