How is Turns (Cost) calculated on the Merchandise Analysis Report

Summary:

How is Turns (Cost) calculated on the Merchandise Analysis Report

Cause:

Inventory turnover, shown as the **Turns (Cost)** column on the Merchandise Analysis report, is a measure of how many times inventory has been or will have to be replaced.

e.g., an average quantity of 10 is kept on hand throughout the year. During the year a quantity of 100 was sold, which means the entire stock needed to be replenished 10 times.

Solution:

The formula for Turns (Cost) is:

Turns (Cost) = Cost of Amount Sold (Cost of Sales) / Average-cost-on-hand, annualized

Annualized means the value over the entered reporting period is extended to a full year.

e.g., a reporting period covers 31 days and the summary value is 62. The average value for each day is 2 (62/31 = 2). When extended for the year the summary value is 730 (365 * 2 =730).

Though leap years actually have 366 days, 365 is always used for this

formula.

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