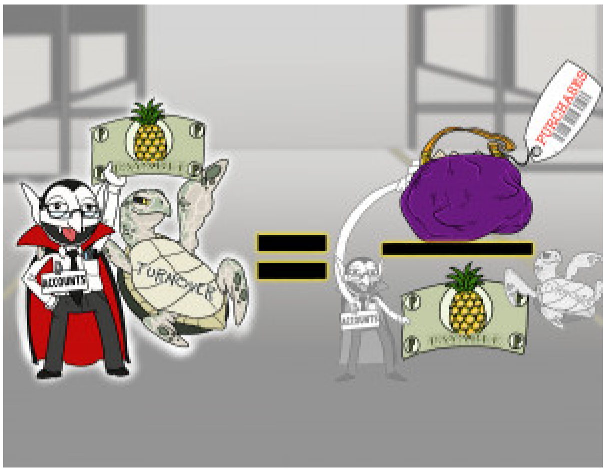
picmonic

Accounts Payable Turnover

Accounts Payable Turnover Ratio is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. The accounts payable turnover ratio is calculated by dividing the total purchases made from the suppliers by the average accounts payable amount during the same period. This ratio reveals how many times per period a company pays its average payable amount. A low payable turnover represents that the company is taking longer to pay off its suppliers, and a rising turnover ratio means that the company is paying off its suppliers at a fast rate.



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Purchases

Purse

Payment of goods to supplier during the period. This is an account used to record the purchase of goods intended for sale.

Payable

Pineapple

Money owed by a company or a firm to its creditors and vendors. Normally recorded as Accounts Payable on the Balance Sheet as a Liability. Accounts Payable is a form of credit that suppliers offer to their customers by allowing them to pay for a product or service after it has already been received.