

Inventory Turnover

Inventory Turnover is a ratio showing how many times a company's inventory is sold and replaced over a period. In accounting, it is calculated by dividing the Cost of Goods Sold by Average Inventory. Average inventory is used to minimize seasonal factors. This ratio should be used to compare against industry standards. A high ratio can represent strong sales or ineffective purchasing of inventory, and a low ratio can represent poor sales and excess inventory. By dividing Inventory Turnover by 365 days, one can calculate the average days to it takes to sell the inventory.



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COGS

Clog

The inventory costs of those goods a business has sold during a particular period.

Average Inventory

Average In-vent-tory

A complete list of items such as property, goods in stock, or the contents of a building.