

# Working Capital Turnover Ratio

Formula —

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Net working Capital}}$$

where,

$$\text{Working Capital} = \text{Current Assets} - \text{Current liabilities}$$

Q: Calculate working capital Turnover Ratio

Sales	10,00,000
Gross profit	25%
Debtors	2,50,000
Stock	1,80,000
Bills Receivable	80,000
Prepaid expenses	60,000
Creditors	1,30,000
Bills Payable	50,000
Outstanding expenses	10,000

Soln

$$\text{Cost of goods sold} = \text{Sales} - \text{gross profit}$$

$$= 10,00,000 - \frac{10,00,000 \times 25}{100}$$

$$= 10,00,000 - 2,50,000$$

$$= ₹ 7,50,000$$

Working capital

Current Assets

Current Liabilities

$$\text{Current Assets} = \text{Debtors} + \text{Stock} + \text{Prepaid exp.} + \text{B/R}$$

$$= 250000 + 180000 + 60000 + 80000$$

18 Sunday

$$= ₹ 5,70,000$$

Current Liabilities

$$= \text{Creditors} + \text{B/P} + \text{D/S expenses}$$

$$= 130000 + 50,000 + 10000$$

$$= ₹ 1,90,000$$

March

Mon	5
Tue	6
Wed	
Thu	1
Fri	2

March

$$\begin{aligned} \therefore WC &= CA - CL \\ &= 5,70,000 - 1,90,000 \\ &= ₹ 3,80,000 \end{aligned}$$

$$\begin{aligned} WCTR &= \frac{\text{Cost of goods sold}}{WC} \\ &= \frac{7,50,000}{3,80,000} \\ &= 1.97 \text{ times.} \end{aligned}$$

Q: -

Cash	₹ 20,000
B/R	10,000
Sundry Debtors	50,000
Stock	40,000
Sundry Creditors	60,000
Cost of goods sold	3,00,000

calculate working capital turnover ratio.

Sol<sup>n</sup>

$$WCTR = \frac{\text{Cost of goods sold}}{\text{Working Capital}}$$

$$WC = CA - CL$$

$$CA = \text{Cash} + \text{B/R} + \text{Debtors} + \text{Stock}$$

$$= 20000 + 10000 + 50000 + 40000$$

$$= ₹ 1,20,000$$

$$CL = 60,000$$

$$\therefore WC = 1,20,000 - 60,000$$

$$= ₹ 60,000$$

$$\therefore WCTR = \frac{3,00,000}{60,000}$$

= 5 times.

Ans