Btn5-2

Finance

Inventory turnover Inventory turnover= cost of goods sold (sales average inventory. (Bragg, 25) sales can still be used in calculating inventory turnover, but the cost of goods sold is more robust than sales, because it gives the inventory cost value as opposed to sales which uses inventory market value.

Apple; current year, 87, 846/791= 111 timesPrevious year, 64, 431/776= 83 times

Google; current year, 20, 634/505= 41 timesPrevious year, 13, 188/35= 377 times

2. Day’s sales in inventory

Day’s sales in inventory= 365/Inventory turnover or (end inventory/cost of goods)* 365

Apple; current year; 365/111= 3 days Prior year 1; 365/83= 4 days

Prior year 2: (1051/39, 541) *365= 10 days

Google; current year; 365/41= 9 daysPrior year 1; 365/= 1 day

Prior year 2; (0/10, 427)*365= 0 days

3. Interpretation

The average turnover for the industry this company operates is 5 times. Therefore, a figure below the average is a poor inventory management practices of the firm. Both Apple and Google have had an exceptionally turnover for the last two years. This clearly shows that the firms have a stout strategy in managing their inventory. Analyzing the progress of the two firms as far as inventory turnover is concerned, it can be concluded that Apple improved its inventory turnover by 33. 7% {(111-83)/83} *100. On the other hand, Google inventory turnover reduced drastically by 89% {(377-41)/377}*100. The analysis shows that in the current year Apple had efficient control measures on inventory as compared to Google.

According to (Messmore, 52), inventory turnover and day's sales inventory are interlinked and inverse proportion to each other. He further elaborate that, an increase in inventory turnover reduces day's sales in inventory. This can be evidenced in the changes that occurred in the two inventory control measures for Apple and Google. Prior year 1 Google had an inventory turnover of 377 and day's sale inventory of 1 day, in the current year inventory turnover reduced to 41, thus increasing day's sales inventory to 9 days. Day's inventory gives the number of days a firm takes to transform its inventory into cash. Apple has reduced the period from 10 days (prior year 3) to 3 days (current year) this shows its sales have increased. Google, on the other hand, has increased the number of days it takes to transform inventory into cash from zero days (prior year 2) to 9 days (current year). This shows its sales have been reducing rapidly.

Works Cited

Messmore, Lauren B. Inventory Management for Business Success. 2001.