Days' sales in accounts receivable = 365 days divided by the **accounts receivable turnover ratio.**

Calculation of the **days' sales in accounts receivable** includes:

Days in one year	365		
divided by accounts receivable turnover ratio		**ART**	
= Days' sales in accounts receivable		**DS**	(365 / ART)

or

Calculation of the **days' sales in accounts receivable**

Credit sales for year ended________________	$	**CS**	
Average credit sales per day	$	**CSD**	(CS / 365)
Average accounts receivable for year	$	**AAR**	
= Days' sales in accounts receivable		**DS**	(AAR / CSD)

Notes:

ART To compute the accounts receivable turnover ratio see **Form R6**.

DS The days' sales in accounts receivable tells how many days of sales are uncollected or outstanding. It is also referred to as the *average collection period* and *days' sales in receivables.*

The days' sales in accounts receivable is an *average* with some accounts receivable paying on time while some accounts receivable are significantly past due.

An aging of accounts receivable will help you determine the slow turning (slow paying) accounts. An aging report is usually available on your accounting software. If you do not have that capability, see **Form G2**.

CS When the amount of credit sales is not available, the total amount of all sales is often used.

AAR Since the average amount of accounts receivable during the year is needed, you will need to look at the balance sheets throughout the year. If the amount of accounts receivable is approximately the same amount each month, a simple average of the amount at the beginning of the year and the amount at the end of the year will be sufficient. If the amount of accounts receivable varies significantly from month to month, a 13-month average should be used. See **Form G3**.

See **Filled-In Form R7** for an illustration.

Learn more about financial ratios at www.AccountingCoach.com.