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Calculation of **working capital turnover ratio** includes:

Average working capital is computed from the balance sheets during the year.

Total net sales or revenues for the year	\$ _____	<b>S</b>
<i>divided by average</i> working capital	\$ _____	<b>AWC</b>
<b>= Working capital turnover ratio</b>	<b>: 1</b>	(S / AWC)

The working capital ratio is also known as *net working capital to net sales*.

**AWC** Since the *average* amount of working capital during the year is needed, you will need to first compute the amount of working capital on each balance sheet. Working capital is the amount of current assets minus the amounts of current liabilities (**Form R1**).

Next, you need to compute the average amount of working capital during the year. If the amount of working capital is approximately the same each period, 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 working capital varies significantly from month to month, a 13-month average should be used. See **Form G3**.

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