



Module III. Business

Entrepreneurial
Finance

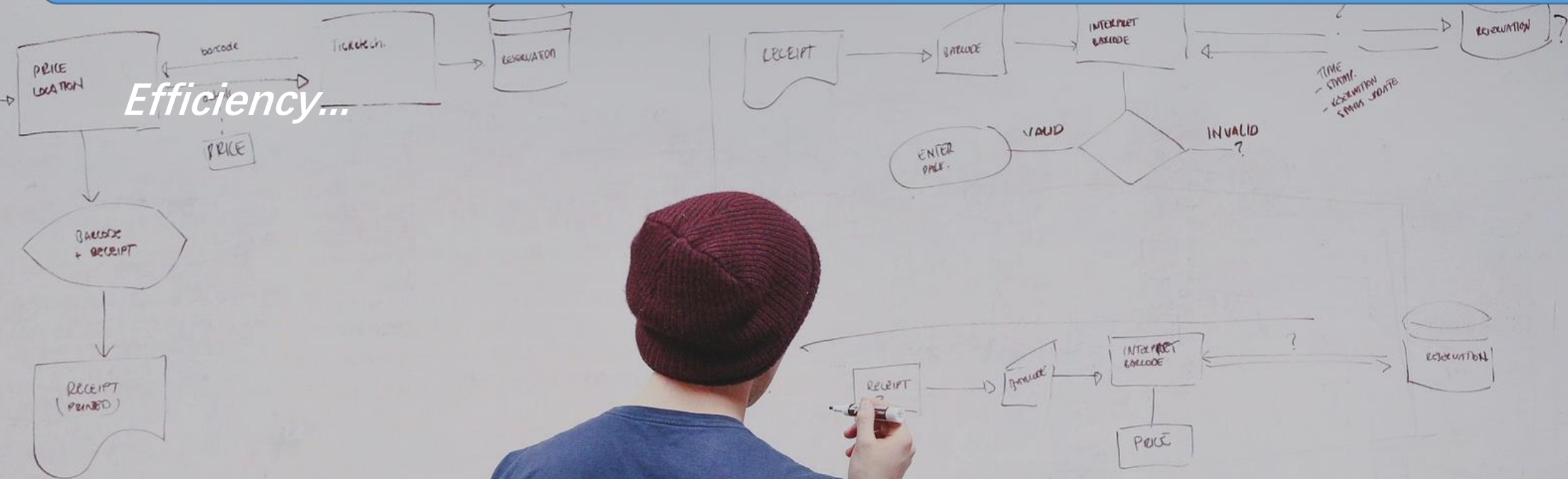
Topic 6. Financial Ratios

Lesson 2. Efficiency



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Efficiency...



Time, money and raw materials are limited and it is important to preserve them while maintaining an acceptable level of production.



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Once the topic is
completed and approved,
learners will be able to...



Apply the formulas and Identify Financial Ratios



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*In this lesson, we
will learn..*

- ✓ More about efficiency and the formulas that we can use.



Efficiency



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Efficiency

Days payable =
 $\text{Accounts payable} / (\text{COGS} / 365)$

Collection ratio =
 $\text{Accounts receivable} / (\text{revenues} / 365)$

Inventory turns =
 $\text{COGS} / \text{average inventory outstanding}$

Day inventory carried =
 $\text{Inventory} (\text{COGS} / 365)$

Conclusions

**Efficiency is the basic reduction
in the amount of wasted
resources used to produce a
certain number of goods or
services.**



Content prepared by **Business Incubator Novi Sad**



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