

## Paul Robbins training and consultancy

### Credit Management

### Working Capital Cycle

### Exercise 1

You have been provided with the following extract from the latest Financial Statements of Bishopstone Ltd.

<b>Statement of Profit or Loss (Extract)</b>		
	£	£
<b>Sales</b>		<b>328,000</b>
<b>Less Cost of Sales</b>		
<b>Opening Inventory</b>	<b>24,000</b>	
<b>Purchases</b>	<b>191,000</b>	
	<b>215,000</b>	
<b>Closing Inventory</b>	<b>(29,000)</b>	
		<b>186,000</b>
<b>Gross Profit</b>		<b>142,000</b>

<b>Statement of Financial Position (Extract)</b>		
	£	£
<b>Current Assets</b>		
<b>Inventory</b>	<b>29,000</b>	
<b>Trade Receivables</b>	<b>28,000</b>	
<b>Cash</b>	<b>11,000</b>	
		<b>68,000</b>
<b>Current Liabilities</b>		
<b>Trade Payables</b>		<b>24,000</b>

You should calculate the Inventory Holding Period, Accounts Receivable Collection Period and Accounts Payable Payment Period ratios and use your answers to calculate the working capital cycle.

Note that all sales and purchases are made on credit and that you should use the closing inventory value to calculate the Inventory Holding Period ratio.

You should express your answers to the nearest whole day.