**COCA COLA and WALMART**

Name of student

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**COCA COLA and WALMART**

The accounts receivable turnover ratio is used to ascertain the quality of the receivables in the company. It is included in the activity ratios. A company normally deals in sales of two types, cash and credit. The credit sale would result in the creation of accounts receivables. These accounts receivables have to be received in future. This ratio ascertains two aspects. One is concerned with the number of times that the company will be collecting the accounts receivables within the given trading cycle. The second aspect and perhaps the more important one is the time taken by the company to receive the accounts receivable in days.

**Formula**

The formula for the turnover ratio is

**Average accounts receivables/ Sales**

We have to take the average accounts receivables because we cannot directly compare the values taken from a balance sheet and an income statement. This is because the balance sheet shows some values at a given day and income statement shows values derived from the operations over a period of time.

The other formula is

**365/Turnover ratio**

This shows the number of days taken by the company to collect the accounts receivable in an operating cycle.

**Calculations**

**Walmart**

The value of sales is $ 495761. The average value of receivables is calculated as (5614+5835)/2 thus averaging this year and last years’ receivables.

The answer will come to 495761/5724.5 which comes to 86.60 which means the company collects the receivables for 86.6 times in the operating cycle. If we convert it to number of days, we get 365/ 86.6 which comes to a little over 4 days.

**Coca Cola**

The same ratio when calculated for COCA COLA comes to 31856/(3396+3667)/2. This comes to 31856/3531.2. This turns out to be 9.02 times in the operating cycle. When converted to days, it comes out to be 365/9.02. This comes to 40.46 days.

**Conclusion**

The comparison shows a better management of recievables on the part of Walmart as compared to Coca cola. Thus Coca Cola has to improve the receivables management by putting in more scrutiny for those who are getting sold on credit.

The concept of selling the receivables is called factoring. This is done to pay off short term debts with the help of receivables.

# References

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