Chapter 15

E15.9 Operating Cycle

(i) and (iii)

You should refer to the relevant sections in Chapter 2 and Chapter 15 to check your solutions.

(ii)

Small plc and Big plc 2001

Debtor days

Small plc

Debtor days = $\frac{\text{trade debtors x 365}}{\text{sales}} = \frac{£396 \times 365}{£1,140} = 127$ days

Big plc

Debtor days = $\frac{£28,600 \times 365}{£150,000} = 70$ days

Creditor days

Small plc

Creditor days = $\frac{\text{trade creditors x 365}}{\text{cost of sales}} = \frac{£306 \times 365}{£740} = 151$ days

Big plc

Creditor days = $\frac{£23,000 \times 365}{£114,000} = 74$ days

Stock days (stock turnover)

Small plc

Stock days = $\frac{\text{stock value}}{\text{average daily cost of sales in period}} = \frac{£240}{£740/365} = 118$ days

Big plc

Stock days = $\frac{£28,800}{£114,000/365} = 92$ days

Operating cycle days

Small plc

Operating cycle = stock days + debtor days - creditor days = 118 + 127 – 151 = 94 days

Big plc

Operating cycle = 92 + 70 – 74 = 88 days

Operating cycle %

Small plc

Operating cycle % = working capital requirement / sales = (£240 + £396 - £306) x 100% / £1,140 = 28.9%

Big plc

Operating cycle % = (£28,800 + £28,600 - £23,000) x 100% / £150,000 = 22.9%

E15.10 Major UK plc

You should refer to the relevant sections in Chapter 1 and Chapter 15 to check your solutions.