

9.3: Asset Turnover Rate

Learning Objectives

- Analyze the asset turnover rate

Asset turnover, or turnover rate, is a ratio of how many times during a selling season assets are turned over, or used. In other words, it calculates how many sales dollars are generated for each dollar invested in assets. The formula is revenue / net assets.

Think about how this might apply within a retail context. Imagine you're the front-end manager at your local supermarket, with responsibilities including the coffee shop and floral department. Looking at the income statement for successive periods, you can see that asset turnover is slowing. You know that your buying has been steady, so this must mean that net sales are being affected.



As you walk the area, you notice that you still have mugs with hearts on them and vases that say “I love you Mom” on display—still at full retail price. This looks like stuff from Valentine’s and Mother’s Day. Remnant inventory is a concern—if they don’t sell, there will be less money to pay for planned purchases. What can you do to help the situation?

Markdown the slow selling “old merchandise” in order to stimulate sales and move the merchandise. It may not sell very well, but it will sell a lot better than leaving it fully priced. Of course, this can have a slightly negative impact on gross margin, but it will increase sales. Ultimately, this will make it possible to order new merchandise that will stimulate interest and sales. If possible, it might also be possible to work with the vendor to return the unsold, aging merchandise or to share the costs of markdowns.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9239>

Contributors and Attributions

CC licensed content, Original

- Asset Turnover Rate. **Authored by:** Patrick Williams. **Provided by:** Lumen Learning. **License:** [CC BY: Attribution](#)

CC licensed content, Shared previously

- Target Store Valentine's Day. **Authored by:** Mike Mozart. **Provided by:** Flickr. **Located at:** <https://flic.kr/p/rbK2aw>. **License:** [CC BY: Attribution](#)

9.3: Asset Turnover Rate is shared under a [not declared](#) license and was authored, remixed, and/or curated by LibreTexts.

- **9.3: Asset Turnover Rate** is licensed [CC BY 4.0](#).