

### Answer on Question #44743 – Management - Other

The following information relates to mafuta safi limited

SHs. "000"

purchase of raw materials 6,700

usage of raw materials 6,500

sale on finished goods(all on credit) 25,000

cost of sale(finished good) 18,000

average creditors 1,400

average raw material stock 1,200

average work in progress 1,000

average finished goods stock 2,100

average debtors 4,700

assume a 365 day year

#### REQUIRED

a)The length of the operating cycle (12marks)

#### Solution

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usage of raw materials 6,500

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cost of sale(finished good) 18,000

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Operating cycle =

= Days Inventory Outstanding + Days Receivables Outstanding - Days Payables Outstanding =

= Average inventory\*365/Cost of Goods Sold + Average Accounts Receivable\*365/Net Sales –

- Average Accounts Payable\*365/Cost of Goods Sold =

=  $(1200+2100)*365/18000+4700*365/(25000-18000)-1400*365/18000 = 283.6$  days.