

THE TURNOVER FORMULA

$$\frac{\text{G.O.}}{\text{G.V.A.}} + \frac{(\text{G.O.} - \text{G.V.A.})}{\text{G.V.A.}}$$

Gross Output is the value of total sales

Gross Value Added is the value of the final sale

Alternatively it can be presented:

$$\frac{G.O.}{G.V.A.} + \frac{I.S.}{G.V.A.}$$

where **I.S.** stands for intermeditate sales.

PROOFS.

1. Cost of sales/(current assets – current liabilities)
2. Value of inventory + credit given – credit received.
3. Days of inventory plus (days of credit/mark up).

Annual gross output less net surplus
= annual cost of gross output.

(but this is not to be confused with working capital)

Working capital =

annual cost of gross output

annual rate of turnover

$$\frac{\text{annual compensation}}{\text{annual rate of turnover}} = \text{VARIABLE CAPITAL}$$

constant capital = **COMPOSITION**
variable capital

$$s/c+v$$

is not as accurate as

S/FIXED + CIRCULATING CAPITAL

THE REALIZATION CRISIS
is really a
TURNOVER CRISIS

IT IS THE **DECELERATION** IN TURNOVER
which **converts**
a **relative** fall in the rate of profit
into an **absolute** fall.

Producer	input	+ Value added	= value of sale	Sale number
farmer	0	10	10	(1)
miller	10	10	20	(2)
baker	20	10	30	(3)
cafe	30	10	40	(4)
TOTAL	60	40	100	
	Intermediate= 60	Final sale = GVA = 40	Gross Output = 100	

Intermediate	+ final sale	= gross output	calculation	compensation	surplus
300	100	400		50	50
			$400 - 50 = 350$ (GO - surplus)		
			$300 + 50 = 350$ (IS + compensation)		