

Inventory Carrying Cost

How-to guide: what the workbook does, how to use it and what every number means.

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Inventory Carrying Cost

Build your carrying-cost rate from your own numbers and see, item by item, what holding inventory costs per year and where that cost sits.

For: Inventory planners, supply-chain and materials managers, plant controllers and finance teams setting EOQ and stock policies.

Version 1.0.0 · updated 15 October 2026

Quick start

1. On Setup, type your company name, currency, days-of-supply target and annual holding budget, then check the category list.
2. On Inventory Register, list your items with average units on hand, unit cost and annual usage (an ERP stock and usage export).
3. On Rate Builder, enter each carrying-cost component: cost of capital as a % of value, the others as annual amounts from your ledger.
4. Open the Dashboard: the carrying-cost rate, annual carrying cost against budget, slow movers and the ten items that cost most to hold.

What is in the workbook

Start Here	Read this first: what the workbook does and how to use it.
Setup	Company, currency, your days-of-supply target and holding budget, and the item categories.
Inventory Register	One row per item: stock on hand, unit cost and annual usage, with carrying cost, turns and days of supply.
Rate Builder	Each carrying-cost component as a % of inventory value or an annual amount, summed into one carrying-cost rate.
Dashboard	Your carrying-cost rate, what holding inventory costs per year, how much of it sits in slow movers, and where.
Method	How every number is calculated, with assumptions, limits and sources.
Verify	Self-check: the workbook's formulas recomputed on fixed inputs against an independent reference.

What each number means

Quantity	How it is calculated	Units
Average inventory value	Average units on hand x unit cost, per item; summed over the register.	currency

Quantity	How it is calculated	Units
Component annual cost	% of value basis: rate x average inventory value. Annual amount basis: the amount as typed.	currency/year
Rate equivalent	Component annual cost / average inventory value.	%/year
Carrying-cost rate	Sum of the component annual costs / average inventory value of the register.	%/year
Annual carrying cost	Average inventory value x carrying-cost rate, per item. Excel: =[@[Avg inventory value]]*CarryRate	currency/year
Holding cost per unit	Unit cost x carrying-cost rate: the cost of holding one unit for a year (H in EOQ = $\sqrt{2DS/H}$).	currency/unit
Annual usage value	Annual usage x unit cost.	currency/year
Turns	Annual usage / average units on hand (= usage value / inventory value).	per year
Days of supply	Average units on hand / annual usage x 365; blank when there was no usage.	days
Days of supply status	On target at or below the Setup target; Near target up to 5% above it; Above target beyond that, or when stock has no usage in the year.	-
Carrying cost in slow movers	Annual carrying cost of items with status Above target / total annual carrying cost.	%
Category roll-ups	SUMIFS by category; category turns = usage value / inventory value and days of supply = inventory value / usage value x 365 (ratios of sums).	-
Top ten	Items ranked by annual carrying cost with the helper column Cost rank (COUNTIF of larger values plus earlier ties, + 1), looked up with INDEX/MATCH.	-

Assumptions, limitations, sources and the self-check (the Verify sheet, which recomputes the workbook's formulas on fixed test inputs) are in the workbook. The last page shows the Dashboard with the example data for Linden Controls, a fictional business.

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Engineering estimates for planning and improvement work. Verify the results against your own process, data and standards before you rely on them.

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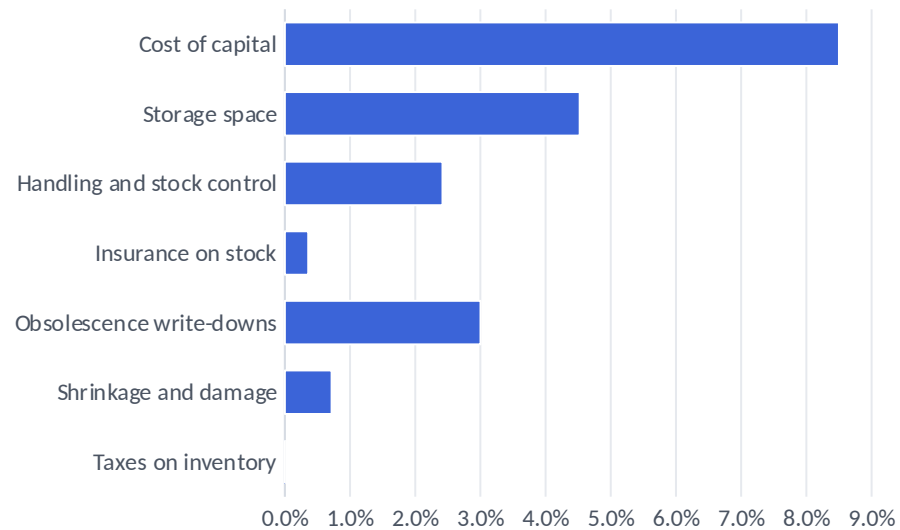
Your carrying-cost rate, what holding inventory costs per year, how much of it sits in slow movers, and where.

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Showing 24 items for Linden Controls (example). Carrying cost = average inventory value x the rate built on the Rate Builder sheet.

AVERAGE INVENTORY VALUE (EUR)	CARRYING-COST RATE	ANNUAL CARRYING COST (EUR)	CARRYING COST IN SLOW MOVERS
1,282,400	19.5%	250,304	51.7%
Units on hand x unit cost, all items	Per year, built from your components	Budget 240,000 Near target	Items above the days-of-supply target

Carrying-cost rate by component



Carrying cost by category: within vs above target

