Assignment - 10

Define cash conversion cycle

The cash conversion cycle [CCC] is ametric that measures the length of time it takes for a company to sell its inventory, collect account receivalble, and pay its accounts payable. it's a key indicator of a company's efficiency in managing its working capital and cash flow

CCC = DIO (+) DSO (-) DPO

Days Inventory outstanding (DIO):-

The average number of day's it takes to sell inventory

Days Sales outstanding (DSO)

The average number of days it takes to collect payment after a sale

Days payables outstanding (DPO)

The average number of days a company takes to pay its suppliers.

A lower CCC means the company is able to recover its cash more quickly while a higher CCC indicates that the company is taking longer to convert its resources into cash.