ASSIGNMENT-10.

Define. cash conversion cycle.

The cash. conversion cycle (ccc). is a metric that measures the time it takes for a company to convert its investments in inventory and other resources into cash flows from sales. In other words, it reflects how quickly a company can turn its products or services into cash through sales.

The formula for the cash conversion cycle is

CCC = Days Inventory outstanding + Days Sales outstanging − Days payable Outstanding.

1) **Days inventory outstanding (DIO):** The average number of days it takes for a company to turn its inventory into sales.

2) **Days sales outstanding (DSO):** The average number of days it takes for a company to collect payment after a sale.

3. **Days payable outstanding (DPO):** The average number of days a company takes to pay its suppliers.

A shorter CCC indicates that a company

is more efficient at managing its inventory, receivables and payables, meanings it can quickly convert its resources into cash. A longer CCC may indicate inefficiencies in the operational process, trying up capital longer.