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, its reflect how quickly a company can turn its products or services into cash through sales

The formula for the cash conversion cycle

CCC = Days inventory outstanding +
= Days sales outstanding -
Days payable outstanding

Days inventory outstanding

The average number of days it takes for a company to turn its inventory into sales

Days sales outstanding

The average number of days

it takes for a company to collect payment after a sale

Days payable outstanding

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 receivable and payables, meanings it can quickly convert its resources into cash. A longer ccc may indicate inefficiences in the operational process, trying up capital longer