Assignment - 10

Define cash Conversation cycle 1.

The cash Conversation cycle (ccc) is a Metric that Measures time (in days) it takes for a company to convert its Instrument in inventory and other resources into cash flow from Sales. It reflects the efficiency with which a company manages its working capital. The ccc heps a company Understanding how long each dollar invested in operations it tried up before it is converted into cash.

The Formula for the cash Conversation cycle is.

ccc = Days inventory outstanding (DIO) + Days sales outstanding (DSO) - Days Payables outstanding (DPO).

Key Componens

Day inventory Outstanding (DIO).

The average number of Days the company takes to torn it's inventory into Sales. A lower DIO indicates efficient inventory management.

$$DIO = \frac{\text{Average Inventory}}{\text{cost of Goods sold (COGS)}} \times 365.$$

Day sales outstanding (DSO)

The average number of days it takes the company to ~~Credit~~ collect Payment after making a sales. A Lower ~~DSO~~ DSO means the company is collecting Payments from Customers quickly.

$$DSO = \frac{\text{Accounts Receivable}}{\text{Total Credit sales}} \times 365$$

Days Payable outstanding (DPO).

The average number of days the company takes to pay its supplier after receiving inventory. A higher DPO is generally better for cash flow ~~and~~ as the company can hold into its cash longer.

$$DPO = \frac{\text{Accounts Payable}}{\text{COGS}} \times 365$$