**13th Week Assignment**

Given the following data for a firm, calculate the cash conversion cycle every year, and working capital as a % of sales every year. Note the trends, and comment on them.



Sure, based on the data in the image for the firm, we can calculate the cash conversion cycle (CCC) and working capital as a percentage of sales for each year. Here's the breakdown:

**Cash Conversion Cycle (CCC)**

**Formula**

Cash Conversion Cycle (CCC) = Days Sales Outstanding (DSO) + Days Inventory Outstanding (DIO) - Days Payable Outstanding (DPO)

* DSO = (Average Accounts Receivable / Revenue) \* 365 days
* DIO = (Average Inventory / Cost of Goods Sold (COGS)) \* 365 days
* DPO = (Average Accounts Payable / Cost of Goods Sold (COGS)) \* 365 days

**Data Not Provided**

Unfortunately, the information provided in the image doesn't include beginning or ending balances for accounts receivable or cost of goods sold (COGS), which are required to calculate DSO and DIO. Therefore, we cannot calculate the CCC for this specific company.

**Working Capital as a Percentage of Sales**

**Formula**

Working Capital Ratio = (Current Assets - Current Liabilities) / Revenue \* 100

**Calculations**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Working Capital | Revenue | Working Capital as a % of Sales |
| 2015 | 933 | 14,235 | 6.56% |
| 2014 | -732 | 10,353 | -7.08% |
| 2013 | -999 | 13,020 | -7.68% |
| 2012 | -540 | 13,459 | -4.01% |
| 2011 | 224 | 12,034 | 1.86% |

**Trends**

* Working capital has fluctuated significantly over the five years, alternating between positive and negative values.
* The company has negative working capital for three out of the five years (2014, 2013, and 2012). This means their current liabilities exceed their current assets, which could be a sign of short-term liquidity problems.
* Working capital improved significantly in 2015, moving from negative territory to a positive value of 6.56% of sales.
* It's difficult to say definitively why working capital has fluctuated so much without further analysis of the company's financial statements.

**Possible explanations for the working capital fluctuations could include:**

* Changes in inventory levels
* Fluctuations in accounts receivable due to variations in credit terms or customer collections
* Increases or decreases in short-term borrowing

Without more context, it's difficult to draw any conclusive insights about the trends in working capital.