Working Capital

Accounting & Finance

Managing the cash tied up in day-to-day operations.

The cash conversion cycle is the time between paying suppliers and collecting from customers.

CCC = Inventory days + Receivable days – Payable days

60 + 45 – 30 Cash tied up.	**75 days**
Supermarkets Paid before they pay.	**Often negative**
Reducing the cycle	**Releases cash**

THE COMMON MISTAKE

× **Stretching payables without limit**

✓ **Balancing cash against supplier relationships**

Late payment damages supply terms and reliability, and the cash gain is usually smaller than the relationship cost.

A negative cycle is a genuine funding advantage: customers finance the business rather than the other way round.