“Cash to Cash Cycle Time” / “Cash Conversion Cycle” - Summary

Cashflow
Most Common Operational CashFlow metric is the "Cash to Cash Cycle Time”, also known as the “Cash Conversion Cycle" (CCC).

Alternative Names for the "Cash Conversion Cycle":

- Cash conversion cycle
- Cash to cash cycle time
- Cash gap
- Cash cycle
- Working capital cycle
- Cash cycle time
- Cash to cash cycle time
- Net operating cycle
- Asset conversion cycle

The “Cash-Conversion-Cycle” is calculated by adding together the “Days-Sales-Outstanding” to the “Days-Inventory-Outstanding” and subtracting the “Days-Payable-Outstanding”.

Cash Conversion Cycle (CCC) = DSO + DIO - DPO

CCC = Days Sales Outstanding + Days Inventory Outstanding - Days Payable Outstanding

The “Cash-Conversion-Cycle” is a measure of how much “time” a business is without its cash, primarily and typically from buying inventory, averaged across the whole business, measured over a specified time period. It’s usually calculated at the end of a certain month and would therefore be “recalculated” monthly.

It looks at the average time that the business was without its cash, from paying suppliers, to getting paid by customers.

Improve your CCC by:

- Reducing the time to get paid by your customers (Reduce DSO)
- Hold less inventory in your business (reduce the time from buying it to selling it) (Reduce DIO)
- Increase the time to pay your own suppliers (will not make you popular) (Increase DPO)