

CASH CONVERSION

Find Out How Long Your Cash Is Trapped

Profit is an opinion. Cash is a fact. This walkthrough shows you how many days your money is locked up before it comes back.

WHY THIS MATTERS

You can be profitable on paper and still run out of money. The Cash Conversion Cycle measures the gap between paying for the work and collecting for it. The wider that gap, the more cash you have to float just to stay open. Close the gap and you free up cash you already earned.

SETUP

Field	Your answer
Time Period (last 12 months)	
Prepared By	
Date	



1. THE THREE LEVERS · PULL EACH FROM YOUR LAST 12 MONTHS

Lever	What it measures	Formula	Your number (days)
DSO	Days to collect after you invoice	$(\text{Accounts Receivable} / \text{Revenue}) \times 365$	
DIO	Days inventory or WIP sits before billing	$(\text{Inventory} / \text{COGS}) \times 365$	
DPO	Days you take to pay suppliers	$(\text{Accounts Payable} / \text{COGS}) \times 365$	

2. YOUR CASH CONVERSION CYCLE · THE NUMBER THAT MATTERS

Cash Conversion Cycle	Formula	Your number (days)
CCC	$\text{DSO} + \text{DIO} \text{ minus } \text{DPO}$	

3. WHERE YOUR MONEY IS STUCK

Where cash gets trapped	Current state	One change you could make
<i>Customer payment terms</i>	<i>Net 45, no deposit</i>	<i>Require 30% deposit on signing</i>



THE PART MOST FOUNDERS SKIP

Calculating your CCC changes nothing on its own. Cash frees up only when you change a term: a deposit, faster invoicing, milestone billing, or supplier terms. Most founders run the number, nod, and keep floating the gap out of habit. Pick the single biggest trap above and change one term this quarter. That is real cash back in your account.

4. WHAT THIS TELLS YOU · TURN DAYS INTO DOLLARS

Every day of CCC ties up roughly this much cash
(annual revenue / 365)

The one term I will change first

Cash that frees up if I cut my CCC by 10 days

NEXT

Find your widest gap (usually slow collections) and change one term this quarter.

Want a full cash and margin read on your business? Scan the code or visit freedomsystems.biz to book a 30-minute diagnostic.

