**CCC**

The management of Lada Ltd are currently reviewing their policy in respect of the management of working capital and in particular, given recent liquidity problems, their cash conversion cycle. Information from the accounts for the two most recent years is shown below.

**All £ Millions**  **2020 2021**

Sales 75.00 90.00

Cost of goods sold 70.00 76.00

Raw material purchases 65.00 67.00

Raw material stocks 2.00 5.00

Work in progress stocks 2.00 8.00

Finished goods stocks 12 14.00

Debtors 4 5.00

Creditors 21.00 24.00

1. Calculate and comment on the cash conversion cycle for each of the two years shown.
2. Discuss the consequences to Lada Ltd of operating a more aggressive policy for its working capital management. Discuss the ways in which the management of the various elements of working capital would change.