



Cash Management Formulas

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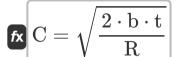
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List of 9 Cash Management Formulas

Cash Management 🗗

1) Baumol's Model



$$= 141.4214 = \sqrt{\frac{2 \cdot 20 \cdot 30}{0.06}}$$

2) Cash Budget





3) Cash Burn Rate

NB = TMC - TMCE

$$70000 = 550000 - 480000$$

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

5) Cash Coverage

EBIT $ag{Cash}_{
m cov} = rac{1}{2}$

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6) Cash Surrender Value

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 $f_{\mathbf{X}} | \mathbf{CSV} = \mathbf{mod} \; (\mathbf{EAV}, \mathbf{SC})$

 $= 130000 = \mod(630000, 500000)$

7) Implied Cash Runway

 $ICRun = \frac{CBal}{NB}$

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 $= 1.142857 = \frac{80000}{70000}$

8) Merton Model

$$ag{DD} = \ln\!\left(rac{V}{D_M}
ight) + rac{\left(Rf + rac{(\sigma_{cav})^2}{2}
ight) \cdot T}{\sigma_{cav} \cdot \sqrt{T}}$$

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 $= 126.1931 = \ln\left(\frac{20000}{10000}\right) + \frac{\left(5 + \frac{(0.2)^2}{2}\right) \cdot 25}{0.2 \cdot \sqrt{25}}$







9) Miller Orr Model



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$$\left| \mathbf{Z} = 3 \cdot \left(rac{3 \cdot \mathbf{b} \cdot \mathbf{\sigma}}{4 \cdot rac{\mathrm{R}}{360}}
ight)^{rac{1}{3}}
ight|$$

ex
$$744.7635 = 3 \cdot \left(\frac{3 \cdot 20 \cdot 170}{4 \cdot \frac{0.06}{360}} \right)^{\frac{1}{3}}$$



Variables Used

- b Cost of Conversion
- C Cost of Providing a Service
- Cash_{cov} Cash Coverage
- CB Cash Budget
- CBal Cash Balance
- CCC Cash Conversion Cycle
- CSV Cash Surrender Value
- D_M Market Value of Company Debt
- DD Distance to the Default
- DIO Days Inventory Outstanding
- DPO Days Payables Outstanding
- DSO Days Sales Outstanding
- EAV Enhanced Accumulated Value
- EBIT Earnings before Interest and Taxes
- ICRun Implied Cash Runway
- Int Interest Expense
- NB Net Burn
- R Interest Rate
- Rf Risk Free Interest Rate
- SC Surrender Charges
- t Total Requirement of Cash
- T Time to Maturity
- TMC Total Monthly Cash Sales
- TMCE Total Monthly Cash Expenses





- TP Total Payments
- TR Total Receipts
- V Market Value of Company Assets
- Z Miller Orr Model
- σ Variance
- σ_{cav} Volatility of Company Asset Value





Constants, Functions, Measurements used

- Function: In, In(Number)

 The natural logarithm, also known as the logarithm to the base e, is the inverse function of the natural exponential function.
- Function: mod, mod(dividend, divisor)

 The modulo function, also known as "mod", represents the remainder when two positive numbers are divided.
- Function: sqrt, sqrt(Number)

 A square root function is a function that takes a non-negative number as an input and returns the square root of the given input number.





Check other formula lists

Capital Budgeting Formulas • Cash Management Formulas •

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