EXPERT
ACCOUNTING AND FINANCE

Positive Cycle VS Negative Cycle

Positive Cycle

A positive working capital cycle occurs when a business generates more revenue than it spends on inventory and other current assets.

Negative Cycle

A negative working capital cycle occurs when a business spends more money on inventory and other current assets than it generates in revenue. This often happens when a business is growing quickly and needs to invest in inventory to keep up with customer demand.

Differences between a positive and negative cycle

The key difference between these two cycles is that businesses with a positive working capital cycle have extra cash that they can use to reinvest in their business or pay off debts. On the other hand, businesses with a negative working capital cycle often have to take out loans or sell equity in order to finance their growth.