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The Cost of Float to a Firm ng Treasury Management Analysis Case Study

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Abstract

This case is ideal for an upper-level finance course that has an emphasis on short-term financial management. Despite significant advancements in electronic payment systems, most U.S. firms continue to pay invoices with paper checks mailed to suppliers. So long as the checks are received by the due date, firms are in compliance with supplier credit terms. However, paper checks must be processed and recorded by the supplier, deposited in the supplier's bank, and cleared against the payer's bank before the cash is transferred from the payer's checking account to the supplier's checking account. This delay in the conversion of a check to cash is known as float and has a cost to the receiver of a check.

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