

The Cash Clock at Sea

What two 2022 balance sheets reveal about goods in transit, supplier credit and customer collection

A container can leave an Asian port with two clocks running. One measures the trip to a U.S. warehouse. If the importer has paid its supplier, the cash clock runs until a customer pays. Goods may be at sea on supplier credit, sit unsold after arrival, or belong to a customer before the vessel docks. Whether the voyage ties up the importer's cash depends on supplier settlement, ownership, customer shipment and collection dates that a shipping itinerary does not show.

Hooker Furnishings made the sequence unusually visible in 2022. Its fiscal first-quarter filing said it paid for the cited Asian finished goods when they were loaded on a vessel and that these purchases took approximately eight weeks to reach U.S. warehouses. Early in the next quarter, it drew \$8 million on its revolving credit facility to fund Asian inventory purchases. At 1 May 2022, \$40 million of its \$107.7 million consolidated inventory was in transit to domestic warehouses. The filing places payment, travel time, inventory and borrowing in the same account. It does not match a particular shipment to a loan or show an extra week experienced by that stock. [1]

The filing also sets out a later clock. Management expected most of those goods to ship to customers during its fiscal second and third quarters and expected to collect within 60 days *on average after customer shipment*. If a product sat in a U.S. warehouse before that shipment, the wait continued after the sea voyage. A customer's 60-day payment interval cannot simply be added to eight weeks and called the firm's measured cash cycle: both figures are approximations or expectations, the date of customer shipment is missing, and some supplier invoices could have later payment terms. The defensible point is narrower and more useful. For warehouse-bound goods actually paid for at loading, the voyage sits inside an interval during which cash has left but sales proceeds have not yet arrived. [1][2]

Hooker's own sales channels make this an economic choice as well as a shipping problem. In its fiscal 2022 10-K, the company described imports on an FOB Origin basis sent either to its U.S. warehouses or directly in containers to customers. For both routes its supplier payment was generally due once loading on a U.S.-bound vessel was documented and an invoice presented, although some suppliers allowed payment as late as 45 days after invoice. The filing does not report the actual settlement date for a named direct-to-customer container. Its qualified customers generally had payment due 30 days after *customer shipment*, with extensions in some circumstances. [2]

The route changes how long Hooker holds inventory and when it can bill a customer. Warehouse goods must arrive, be held and then ship to the customer before billing. Under Hooker's general revenue policy, a container-direct customer may be billed when goods ship from origin, before they arrive in the United States; the filing does not separately date each direct sale. That route can move a larger part of the inventory commitment and risk to the customer. Management said in its July 2022 quarterly report that warehouse sales involved more inventory investment and risk for Hooker than container-direct sales. Its later fiscal 2025 filing says much of the Home Meridian container-direct business did not pass through Hooker's inventory at all. That later description clarifies the channel distinction; it does not establish the terms of every 2022 purchase. [2][3][4]

Transaction state	Hooker: warehouse-bound imports, 2022	Hooker: container-direct channel	VF: ownership change, 2022
Vessel loading	Hooker said the cited Asian purchases were paid at loading; goods then spent about eight weeks reaching U.S. warehouses.	Hooker's stated FOB Origin supplier rule generally made payment due at documented loading, with supplier-term exceptions and no matched settlement dates.	VF moved title on purchases from most suppliers from near destination to near shipment; its filing does not supply matched invoice-payment dates.
At sea and on the balance sheet	\$40m in transit to domestic warehouses at 1 May, within \$107.7m consolidated inventory.	Direct-to-customer goods need not follow the warehouse inventory path; the later FY2025 policy says a large Home Meridian share never enters Hooker's inventory.	In-transit inventory rose from \$67.7m in March to \$621.5m in June, partly reflecting the title boundary.
Customer shipment and billing	Hooker recognised a receivable and revenue when control transferred at customer shipment; management expected collection within 60 days on average for the cited purchases.	The general revenue rule puts invoicing at customer shipment, which may be at origin for a direct container; transaction-level dates are absent.	Accounts payable rose alongside inventory; the filing does not match payables to the same containers.

This comparison is assembled from Hooker's fiscal 2022 10-K, first- and second-quarter fiscal 2023 10-Qs and later fiscal 2025 10-K, plus VF's first-quarter fiscal 2023 10-Q. The cells describe disclosed policy or reporting-date balances, not one matched set of shipments. [1][2][3][4][6]

The distinction affects the way a balance sheet should be read. At 1 May, Hooker's \$40 million in transit was about 37% of its \$107.7 million total inventory. By 31 July, the consolidated in-transit amount was \$34 million within \$131.1 million total inventory, about 26%. The \$34 million comes from Hooker's filed second-quarter earnings release. The quarterly report separately states that \$24 million was in transit in its *Hooker Branded segment*; that is a narrower population, not a contradictory company-wide figure. Across those two dates, the in-transit stock fell \$6 million while total inventory rose \$23.4 million. Neither movement is a travel-time series. Purchases, customer orders, factory output, and the route through warehouses all changed between snapshots. [1][3][5]

The inventory balance is not a loan balance. Hooker reported \$10.1 million cash at the May quarter end, \$59.3 million lower than at the previous fiscal year end. Management identified \$30.1 million more inventory and \$26 million for an acquisition as two major uses. The \$8 million revolver drawing occurred early in the subsequent quarter, not at the May balance-sheet date. The later second-quarter filing records \$30.3 million drawn during that quarter for Asian finished-goods purchases, but the borrowing was repaid by quarter end, partly using term-loan proceeds raised for an acquisition. The \$40 million stock cannot be treated as \$40 million of debt, nor can the entire cash fall be assigned to ships at sea. The company financed purchases amid other cash demands; the filings do not isolate interest caused by a voyage. [1][3]

The credit agreement sets another boundary. Hooker's 2022 revolving facility was unsecured. A *December 2024* amended loan and security agreement later included eligible in-transit inventory in a borrowing-base formula, subject to ownership, insurance, documentation and destination conditions. It capped the contribution of eligible in-transit inventory to the borrowing base at \$10 million and excluded goods that had been in transit more than 60 days. Under those later terms, a container could count towards collateral, but only within stated conditions and limits. They do not govern the 2022 loan or prove that any particular 2024 container was financed. A credit line's availability, a drawing on it and an interest expense attributable to one cargo are three different things. [3][7]

VF Corporation shows why a large in-transit balance cannot be read as cash trapped on slow vessels. During its quarter ended 2 July 2022, VF changed the point when it took title from most suppliers: previously it generally took title near destination; under the new practice it generally took title near shipment. Its in-transit inventory jumped from \$67.7 million in the March 2022 balance sheet to \$621.5 million in the June 2022 balance sheet. That \$553.8 million increase was about 60% of the \$922.7 million increase in total inventory over the same reporting dates. Accounts payable rose by \$459.8 million. These calculations describe balance-sheet stocks, not extra days at sea. [6]

VF attributed much of the in-transit and payable movement to the title change. It also described seasonality, higher inventories across operations, rebuilding and changes in borrowing. The title change makes more goods appear on VF's balance sheet while they are still travelling; it can move an inventory recognition point earlier without changing the sea route. The payable increase warns against treating that inventory as an equal cash outlay. Yet the two changes cannot be netted into a precise cash cost: they need not refer to identical supplier invoices or container cohorts, and both firms' figures are stocks at reporting dates. VF's case is a rival explanation for the *accounting appearance* of transit exposure, not proof that time at sea is harmless. [6][8]

For an importer, a longer voyage can still cause real harm. Goods that arrive after a selling window can miss demand. A late container can leave a warehouse without stock while customer invoices wait to be raised. A firm that has already paid its supplier can need more cash or debt for longer; a firm whose supplier still carries the payable may face a different immediate funding burden. But these are conditional pathways, not results measured by the Hooker and VF filings. The documents contain no matched loading, arrival, customer shipment and cash-receipt dates from which to estimate what one extra sea week cost. They also cannot show whether a late delivery lost a sale, merely deferred one, or changed an order's margin. Freight rates are another separate shock: a higher bill changes landed cost without establishing extra financing days. [1][2][3][6]

To price an extra week at sea, the missing evidence is a matched transaction: loading and arrival dates, supplier settlement, customer shipment and payment, and any resulting change in borrowing or orders. Hooker's disclosures show a voyage after payment for the cited warehouse-bound goods. VF shows how a change in ownership rules can put far more at-sea goods on the balance sheet without measuring a longer voyage or equal cash outlay. The ship's clock begins at departure. The cash clock depends on the contract and the payments.

Source notes

[1] Hooker Furnishings, FY2023 Q1 Form 10-Q, quarter ended 1 May 2022, management discussion and liquidity, SEC text lines 1082-1083 and 1371-1373.

[2] Hooker Furnishings, FY2022 Form 10-K, year ended 30 January 2022, Working Capital Practices and Critical Accounting Policies, SEC text lines 415-419 and 1515-1530.

[3] Hooker Furnishings, FY2023 Q2 Form 10-Q, quarter ended 31 July 2022, debt note and management discussion, SEC text lines 741-786, 1173-1189 and 1495-1497.

[4] Hooker Furnishings, FY2025 Form 10-K, year ended 2 February 2025, Working Capital Practices and revenue policy, SEC text lines 382-395 and 1345-1349.

[5] Hooker Furnishings, FY2023 Q2 earnings release, filed Exhibit 99.1, 8 September 2022, SEC text lines 20-21 and 37-38.

[6] VF Corporation, FY2023 Q1 Form 10-Q, quarter ended 2 July 2022, balance sheets, Note 5 and management discussion, SEC text lines 99-121, 522-529 and 1242-1282.

[7] Hooker Furnishings, amended loan and security agreement, Exhibit 10.1 dated 5 December 2024, defined terms and borrowing-base limits, SEC text lines 242, 307, 437-447 and 584.

[8] VF Corporation, FY2023 Q1 earnings release, filed Exhibit 99.1, 28 July 2022, inventory and payable commentary, SEC text line 81.