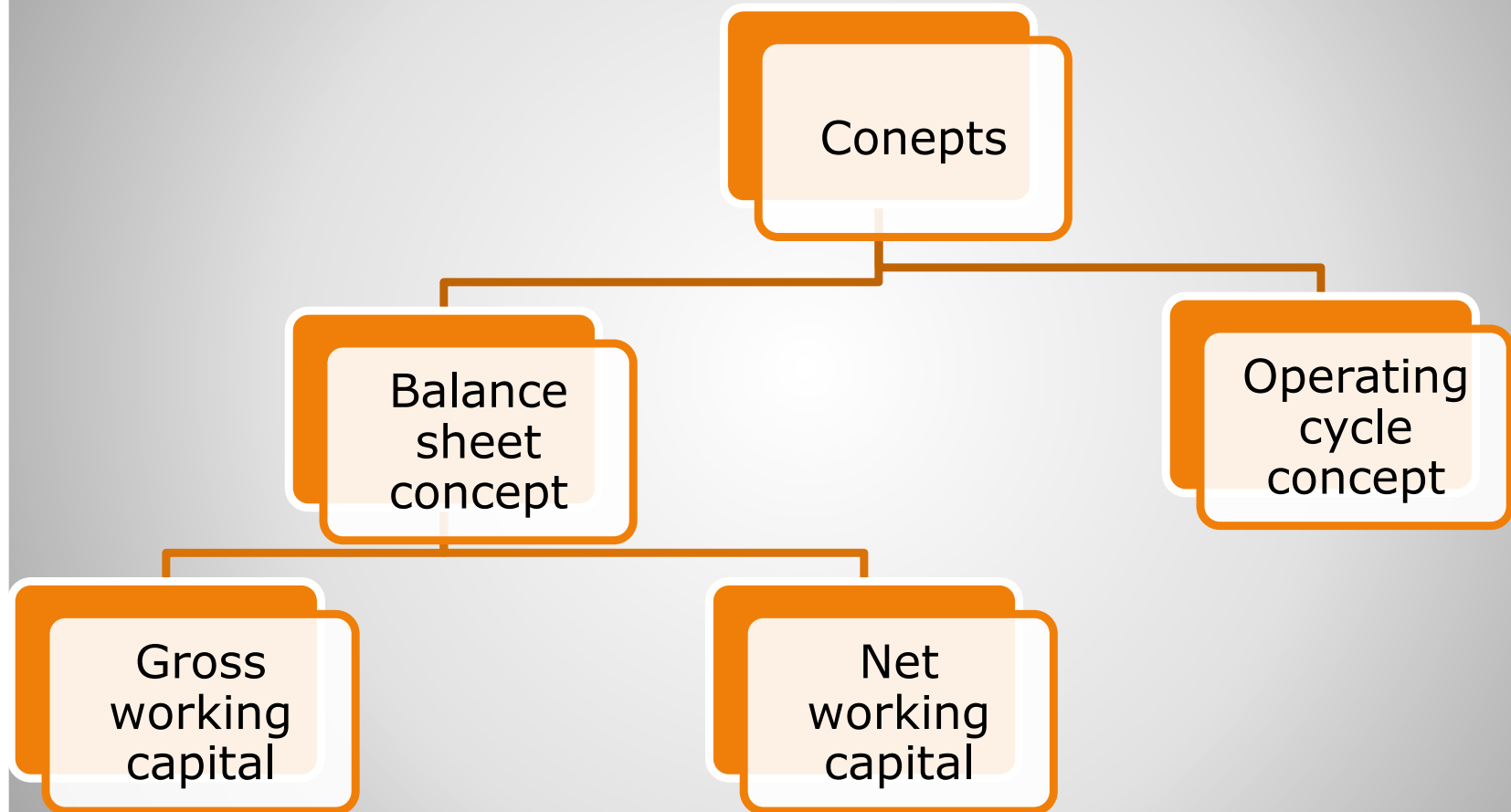


WORKING CAPITAL

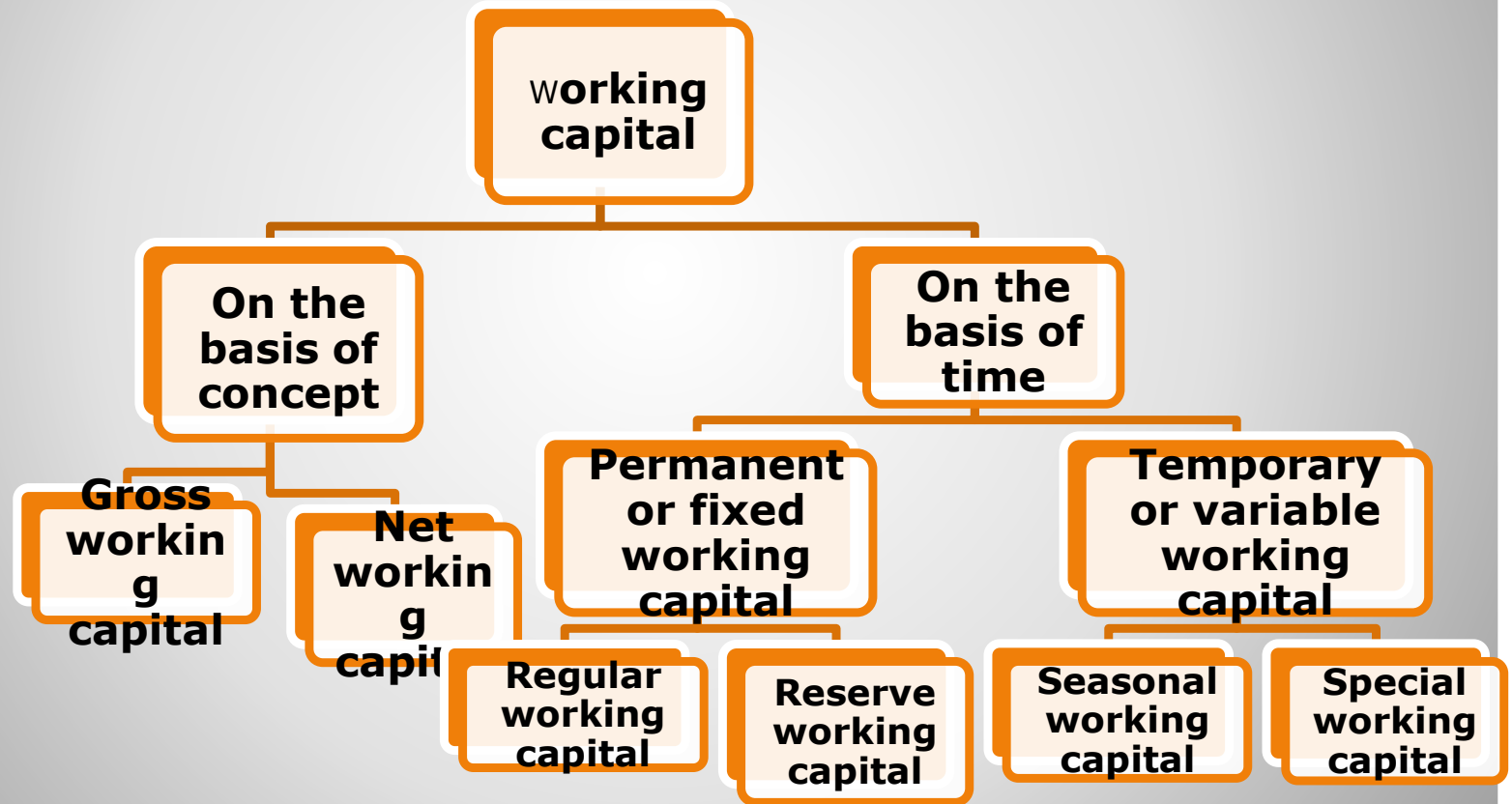
Part of the firms capital which is required for
financing current assets

CONCEPTS



- **GROSS WORKING CAPITAL**: capital invested in the total current assets
- **NET WORKING CAPITAL** : current assets - current liabilities

- CLASSIFICATION



ADVANTAGES OF ADEQUATE WORKING CAPITAL

1. Solvency
2. Goodwill
3. Easy loans
4. Cash discounts
5. Regular supply of raw materials
6. Regular payment of day to day expenses
7. Exploitation of favourable market conditions
8. Ability to face crisis
9. Regular return on investment
10. High morale

FACTORS DETERMINING WORKING CAPITAL REQUIREMENTS

Nature of business	Rate of stock turn over
Size of business/ scale of operation	Credit policy
Production policy	Business cycle
Manufacturing process	Rate of growth of business
Seasonal variations	Earning capacity and dividend policy
Working capital cycle	Price level changes
Other factors	