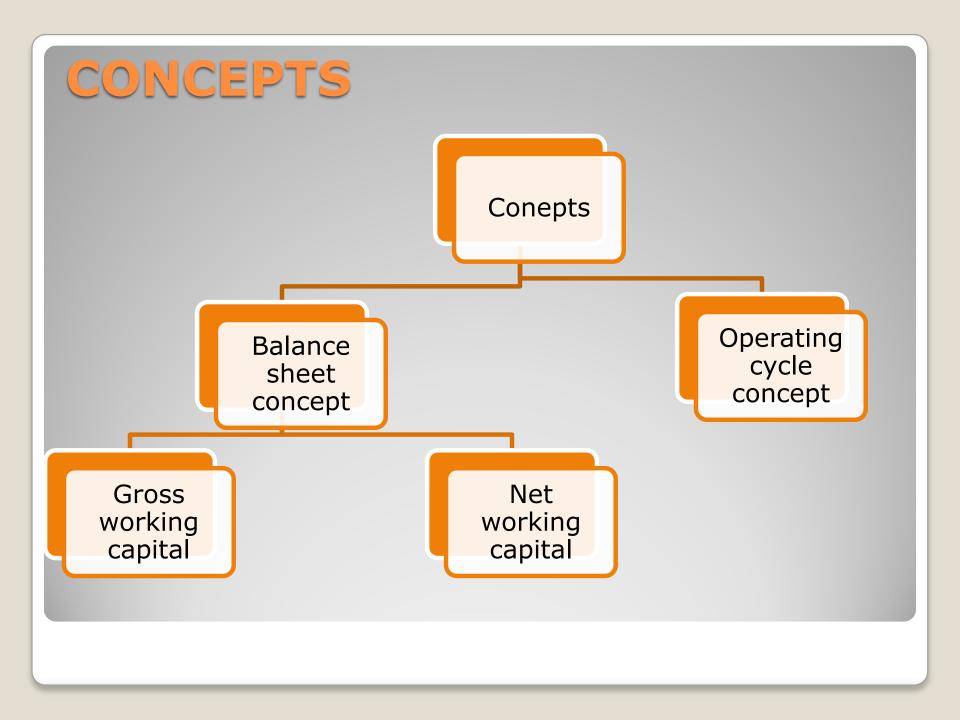
WORKING CAPITAL

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



 GROSS WORKING CAPITAL: capital invested in the total current assets

 NET WORKING CAPITAL : current assetscurrent liabilities

CLASSIFICATION working capital On the On the basis of basis of time concept **Permanent Temporary** Gross or variable or fixed Net workin working working workin capital capital g capital capid Regular Seasonal **Special** Reserve working working working working capital capital capital capital

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	