

WORKING CAPITAL

Tessa Mary Jose

Department of Commerce

S.H.College, Thevara

WORKING CAPITAL-MEANING

- Fund required for meeting the short-term requirements
- Fund necessary to cover the cost of operating the enterprise
- Fund invested in current assets such as cash, inventories & debtors
- Changes in the ordinary course of business from one form to another
- Changes from cash to inventories, inventories to receivables, receivables to cash
- It is also known as revolving or circulating capital

CLASSIFICATION OF WORKING CAPITAL

ON THE BASIS OF CONCEPT

Gross working capital

Net working capital

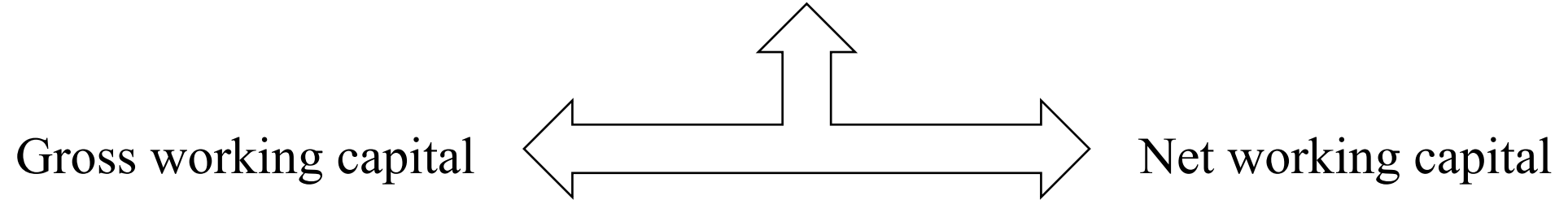
ON THE BASIS OF TIME

Permanent or fixed working capital

Temporary or variable working capital

CONCEPTS OF WORKING CAPITAL

Balance Sheet Concepts



Amount of fund invested
current assets

Excess of current assets over
current liabilities in

CLASSIFICATION ON THE BASIS OF TIME

Permanent working capital – it is the minimum amount required to ensure effective utilisation of fixed facilities and for maintaining the circulation of current assets

Regular working capital-which is required for the regular operations

Reserve working capital- which is required over the requirement of regular working capital for contingencies that may arise at unstated periods such as strikes, rise in price, depression, etc.

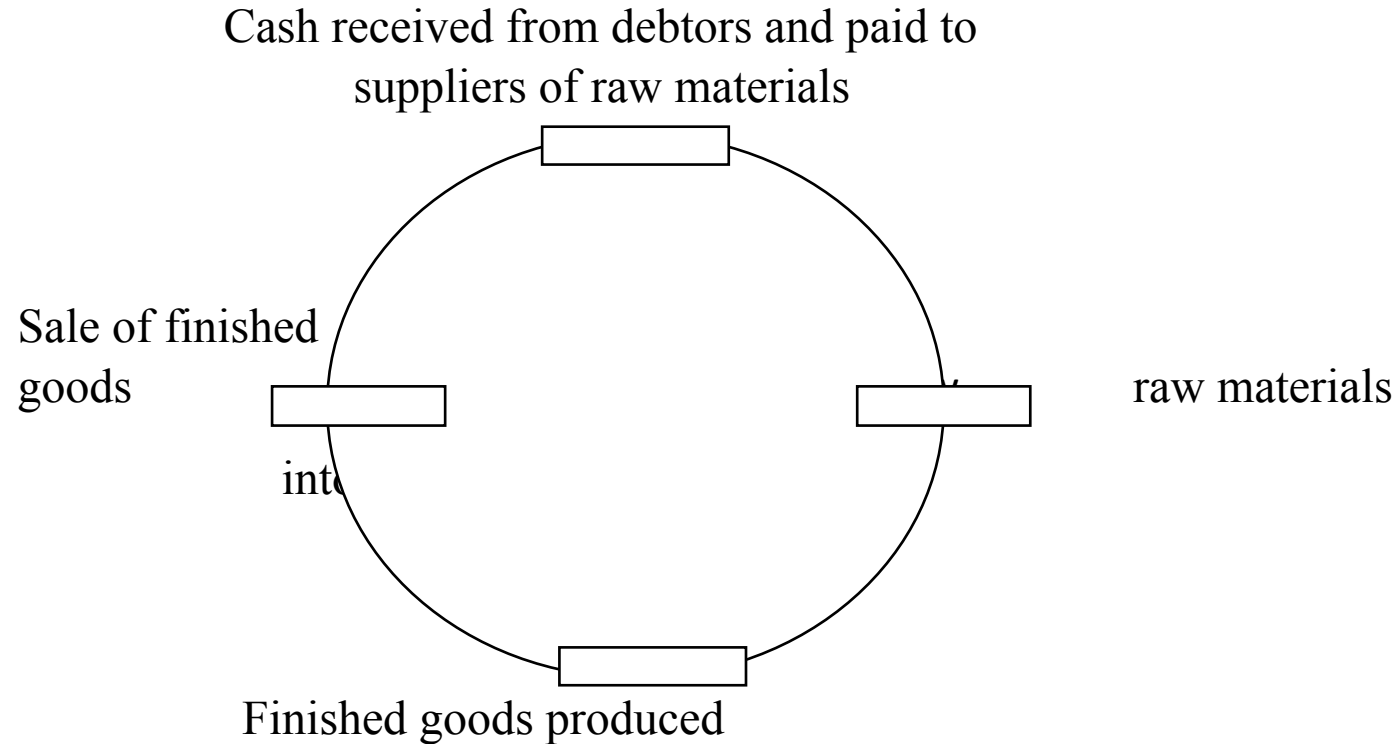
CLASSIFICATION ON THE BASIS OF TIME

Temporary working capital-it is the amount of working capital required to meet the seasonal demands and special exigencies

Seasonal working capital- working capital required to meet the seasonal needs of the enterprise

Special working capital- part of working capital required to meet special exigencies such as launching of extensive marketing campaign for conducting research, etc.

OPERATING CYCLE CONCEPT



Gross operating cycle = RMCP + WIPCP + FGCP + RCP

Net operating cycle = Gross operating cycle period – Payable Deferral Period

THANK YOU