

**SUBJECT : WORKING CAPITAL
MANAGEMENT
CLASS : VI SEM BBA**

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TYPES OF WORKING CAPITAL

- **Temporary Working Capital**
- **Permanent Working Capital**
- **Gross & Net Working Capital**
- **Negative working capital**
- **Reserve Working Capital**

Temporary Working Capital

Capital that is needed by the enterprise for some specific period of a year is termed as temporary working capital. For instance, this type of working capital might be the need of the hour during festive season due to the increases immediate demands of the business.

Permanent Working Capital

Capital that is needed to make liability payments even before the enterprise is able to change invoices or assets into cash is called the permanent working capital loan. This type of loan is needed by the business for a long and sometimes very long period of time.

Gross & Net Working Capital

Gross working capital, in actuality, is the company's assets in total. Such assets are generally the ones which can be easily converted to cash in a year. These assets generally include:

- Cash
- Receivable accounts
- Short-term investments
- Marketable securities such as stocks

Negative working capital

A deficit or shortfall is called negative working capital. This reflects that there is an excess of the current liabilities as compared to the current assets. Negative working capital increases if the current liabilities are exceeding the current assets. In simple terms, there is greater short-term debt as compared to short-term assets.

Reserve Working Capital

The reserve working capital is another type of fund which the business needs to maintain above and over the working capital as required. Businesses need to use such types of funds in case of an emergency for some unexpected market opportunities or situations.

So, the reserve working capital actually refers to a short-term financial need that is required by the businesses to cope up with uncertainties or meet any unexpected changes.