

**SUBJECT : FM2**  
**CLASS : VI SEM BBA**

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# “WORKING CAPITAL MANAGEMENT”



Capital : Amount required to start business.

Fixed  
Capital



Working  
Capital



Capital

**Fixed Capital**:- Fixed Capital required for Establishment of business.

**Working Capital**:- Working Capital required to utilize fixed assets.

# Nature of Working Capital

- A. Short term need.
- B. Circulating.
- C. Permanent.
- D. Fluctuating.
- E. Liquid.
- F. Less Risky.

# Working Capital.

- Working Capital plays a key role in a business just as the role of heart in humanbody.
- It act as 'grease' to run the wheels of fixed assets.
- The efficiency of a business enterprise depends largely on its ability to manage working capital.

# Types of Working Capital

1. Permanent Working Capital:- It is the minimum working capital required for producing predetermined production.
2. Temporary Working Capital:- It is the additional current assets required for temporary period, and it is above permanent working capital.

# Concept of Working Capital:-

1. Gross Working Capital: It is the sum of all current assets appear in balance sheet.

Current Assets are those assets which can be easily converted into cash.

2. Net Working Capital: It is the difference between current assets and current liabilities.

Current liabilities are short term liabilities

# Components of Working Capital:-

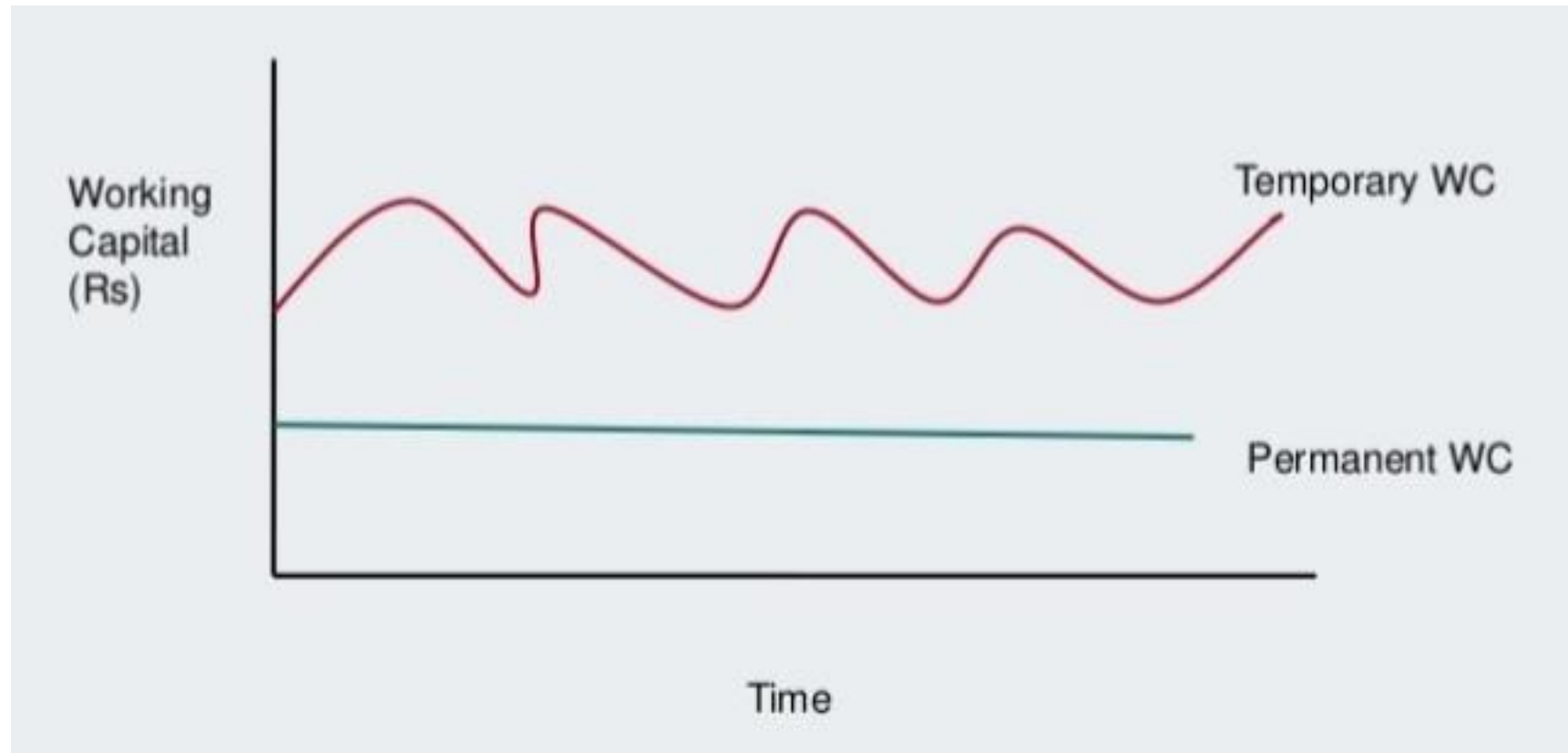
## Current Assets

- 1) Raw Material.
- 2) Work-In-Progress (WIP).
- 3) Finished Goods.
- 4) Stock.
- 5) Inventory.
- 6) Prepaid/Advances.
- 7) Cash.
- 8) Sundry Debtors.

## Current Liabilities

- 1) Short Term Creditors.
- 2) Bank Overdraft.
- 3) Short Term Borrowings.
- 4) Proposed Dividend.
- 5) Short Term Loans and advances.

# Types Of Working Capital:-



# Determinants of Working Capital

**Nature of Business.**

**Size of Business.**

**Operational Efficiency.**

**Business Cycle.**

**Terms of Purchase & Sales.**

**Production Cycle.**

**Technological Changes.**

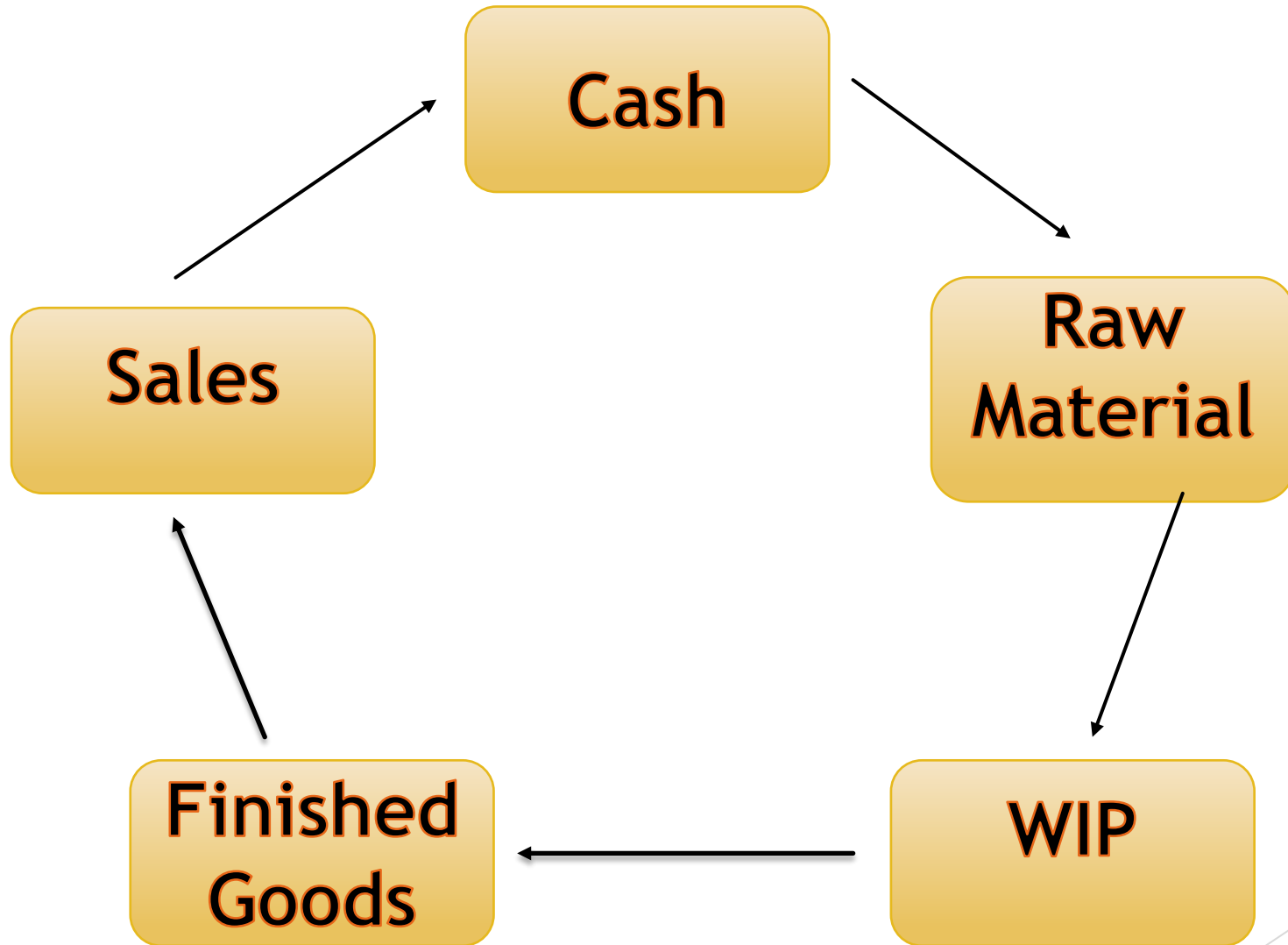
# Operating Cycle:-

The time that require to convert raw materials into cash.

The length of operating cycle is depend upon several factors like:-

- > Length of Manufacturing Process.
- > Holding period of inventories.

# Operating Cycle:-



# Working Capital Financing

