

WHY YOU NEED TO MANAGE WORKING CAPITAL

Importance of Working Capital Management:

- Working Capital is the Life Blood of the Business
- Fixed Assets (Long Term Assets) can be purchased on Lease/Hire Purchase but Current Assets cannot be
- Liquidity V/s Profitability
- Assess the short term financial position and health of the Business

Objectives of Working Capital Management:

- Deciding Optimum Level of Investment in various Working Capital Assets
- Decide Optimal Mix of Short Term and Long Term Capital
- Decide appropriate means of Short Term Financing

Goal of Working Capital Management:

- The goal of working capital management is to ensure that a Business is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses.

Process/Steps Involved in Working Capital Management:

- Forecasting the Amount of Working Capital
- Determining the Sources of Working Capital

Different Aspects of Working Capital Management:

- Management of Inventory
- Management of Accounts Receivables/Debtors
- Management of Cash
- Management of Accounts Payables/Creditors