

INTRODUCTION:

- **Working Capital** plays the crucial role in the business as the role of heart in the human body.



DEFINITION:

- ❑ **Working capital** refers to funds required to be invested in the business for a short period usually upto one year.
- ❑ It is also known **Short-term capital** or **Circulating capital**
- ❑ “Working capital is the amount of funds necessary to cover the cost of operating the enterprise.”

--- Acc.. to Shubin

WHY WC...??

- The firm has to maintain cash balance to pay bills as they come due.
- In addition, the company must invest in inventories to fill customer orders promptly.
- And finally, company invests in accounts receivable to extend credit to customers.



OBJECTIVES OF WC:

- To optimize investments in current assets.
- To see that company meets its current liabilities obligation.
- Manage current assets to see that the return on current assets is more than cost of capital.
- Proper balance between current assets & current liabilities.