

UNIT - IV

Working Capital

“Working capital is the amount of funds, necessary to cover the cost of operating the enterprise”

Needs for Working capital

1. Adequate working capital is required to continue uninterrupted business operations
2. It is essential to run the day-today business activities
3. To ensure maximization of wealth of the firm
4. To enable to increase the rate of return on investment
5. To increase the operational efficiency of a firm
6. To earn considerable profits.

Principles & Factors Determinants of Working capital Requirement

1. Production Policies
2. Nature of the business
3. Length of the Manufacturing Process
4. Credit Policy
5. Growth and expansion
6. Capital Structure of the company
7. Terms of purchases and sales
8. Profitability
9. Dividend Policy
10. Seasonal Variation
11. Irregularities of supplies
12. Sales Volume
13. Market Condition

Operating Cycle

