



# SNS College of Technology

## Coimbatore - 35



19BAE711 – Working Capital Management

Unit II – Types of Working Capital & Working Capital Estimation



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1<sup>st</sup> Indian  
Institution  
to Implement

Design  
Thinking  
Curriculum

Redesigning Common Mind  
and Business Towards



# Topic ????????



# ?

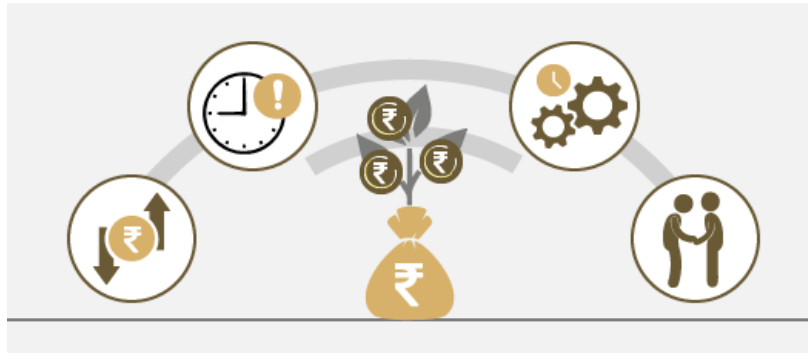




# Working Capital Based On Operating Cycle



## Working Capital





# Working Capital Operating Cycle



An **Operating Cycle** can be defined as the time duration that starts from the procurement of raw materials or goods and ends with the sales realisation. The nature and length of an operating cycle vary from one firm to another as it depends upon its size and nature.

In a manufacturing company, the operating cycle is the length of time required to complete a series of events described as follows:

1. Conversion of cash into raw materials.
2. Conversion of raw materials into work-in-progress.
3. Conversion of work-in-progress into finished goods.
4. Conversion of finished goods into accounts receivable.
5. Conversion of accounts receivable into cash



# Objectives of Working Capital

1. One of the two key objectives of working capital management is to ensure liquidity.
2. A business with insufficient working capital will be unable to meet obligations as they fall due, leading to late payments to employees, suppliers and other providers of credit.
3. Late payments can result in lost employee loyalty, lost supplier discounts and a damaged credit rating.
4. Non-payment (default) can lead to the compulsory liquidation of assets to repay creditors.



# Importance Of Working Capital



- Working capital represents the net current assets available for day-to-day operating activities.
- Many businesses that appear profitable are forced to cease trading due to an inability to meet short-term obligations when they fall due.
- Working capital management requires great care due to potential interactions between its components



# Working Capital Operating cycle

Capital/finance is regarded as life-blood of any enterprise. Therefore, the significance of working capital in an enterprise lies in the fact that its circulation has to be properly regulated in the business. Because, any over-circulation or under-circulation may create problems just as improper blood circulation called high or low blood pressure, in the human body may create problems.

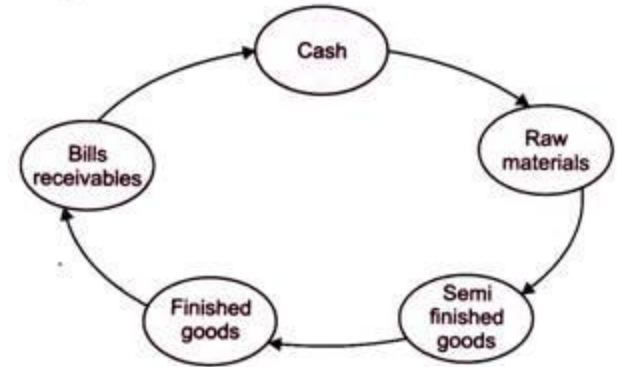


Figure 25.1: Working Capital Operating Cycle



## Assessment

- 1) An \_\_\_\_\_ can be defined as the time duration that starts from the procurement of raw materials or goods and ends with the sales realization.
- 2) Working capital represents the net current assets available for an \_\_\_\_\_ operating activities.







# Summary

SUMMARY

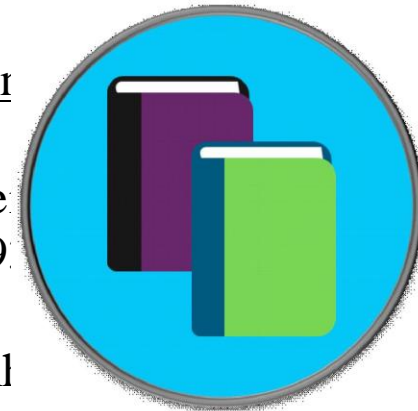


Working capital based on operating cycle



# Reference

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- <https://www.geeksforgeeks.org/working-capital-meaning-types-operating-factors-affecting-the-working-capital/>
- [https://www.google.com/search?q=working+capital&rlz=1C1CHBD\\_e029&sxsrf=AJOqlzVq1IFIzd7PSkLa6dpoK4zMqnSToQ:16780032459nms&tbm=isch&sa=X&ved=2ahUKEwjfu5-bqcT9AhUoSmwGHS4wAgQQ\\_AUoAXoECAEQAw&biw=1280&bil1#imgrc=x4xSYulagZP8JM](https://www.google.com/search?q=working+capital&rlz=1C1CHBD_e029&sxsrf=AJOqlzVq1IFIzd7PSkLa6dpoK4zMqnSToQ:16780032459nms&tbm=isch&sa=X&ved=2ahUKEwjfu5-bqcT9AhUoSmwGHS4wAgQQ_AUoAXoECAEQAw&biw=1280&bil1#imgrc=x4xSYulagZP8JM)





# Reach Us



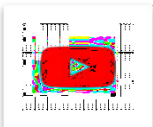
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