



# SNS College of Technology

Coimbatore - 35



**19BAE711 – Working Capital Management**

**Unit II - Types of Working Capital**

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*Design Thinker*





# Guest the topic





# Recall

- Types of Working Capital





# What is Financing?



# WC Finance

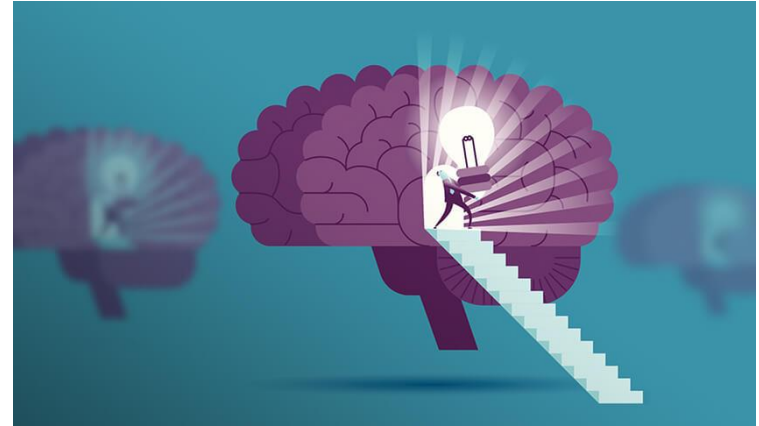
- Working capital finance is business finance designed to boost the working capital available to a business.
- It's often used for specific growth projects, such as taking on a bigger contract or investing in a new market.





# Importance

- Whether your business is facing cash flow issues or not, having extra cash in reserves is always good to secure yourself during unexpected circumstances.
- Working capital financing lets firms fulfil their short-term or urgent cash flow shortfalls.





# Benefits

- Cover Expenditure Gaps
- Zero Collateral Requirement
- Faster and Flexible
- Positive Impact on the Turnover Ratio





# Types

	WORKING CAPITAL LOAN	LINE OF CREDIT	OVERDRAFT	INVOICE DISCOUNTING
<b>INFO</b>	Facilitates daily operations of any business	Recurring loan facility within a specified credit limit	Offered by banks after the account balance reaches 0	Financing of invoices & accounts receivables
<b>REVOLVING FACILITY</b>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> (until limit is reached)	<input checked="" type="checkbox"/>
<b>SCOPE</b>	Short-term capital needs	Long-term financing solution	Urgent cash flow issues	Quick invoice solution
<b>PROS</b>	Easy to apply No collaterals	Flexible Wider credit limits	Fulfil payments	No collaterals
<b>CONS</b>	Limits subject to turnover Not for long-term investment goal	Lengthy application Accruing interest from day 1	Bank's customers only Lengthy application for commercial accounts	Higher fees Compliance requirements





## Pros of WCF

- Can be relatively low cost financing, especially if secured, short-term debt.
- Non-dilutive or minimally-dilutive to equity holders.
- Amount available to borrowing grows as the business grows.
- Smooths out fluctuations in cash flow due to seasonality or a large, slow-pay customer.





## Cons of WCF

- Can be expensive, especially accounts receivable factoring and merchant cash advances.
- Not for pre-revenue companies. Funding is usually based on accounts receivable, inventory, or reliable future revenue.
- Lender or finance company requirements. Borrower may need to modify its credit, billing and collection practices to conform.
- Restrictive covenants. Working capital loans require various financial and operational covenants by the borrower.



# Assessment

Cover expenditure gap is one of the benefits of WCF

True / False

**Ans: True**





# Summary

- Working Capital Financing
- Importance
- Benefits
- Types

SUMMARY





# Reference

- <https://www.velotrade.com/blog/what-is-working-capital-financing/#:~:text=Working%20Capital%20Financing%20is%20when,than%20purchasing%20equipment%20or%20investment.>
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*Thank  
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