

Assignment:- 11

Explain the determinants of working capital

Nature of Business:-

Manufacturing and retail require more working capital than service-based businesses.

Business Cycle:-

More working capital is needed during expansions than recessions.

Production Cycle:-

longer cycles tie up funds, increasing working capital needs.

Credit policy:-

longer credit terms to customers increases working capital requirement.

Inventory management:-

Efficient inventory management reduces the need for working capital.

Market Conditions:-

High competition or demand fluctuations increase working capital needs.

Supplier terms:-

Favorable supplier credit terms reduce working capital requirement.

Growth plans:-

Expanding businesses need more working capital.

Seasonal Demand:-

Peaks in demand increase working capital needs.

Delumy X