Assignment -7

Define working capital:- amount needed to funded

working capital is the difference between a company's current assets and current liabilities. It represents the short term liquidity available. Its a business for making its day-to-day operational needs. The formula for working capital is

working capital = current Assets - current liabilities.

key components.

current assets:-

These are assets that are exept to be converted into cash within a year. The includes items like cash accounts receivable (money owed by customers) and inventory.

current liabilities:-

These are obligations or debts that the company needs to settle within a year. they include accounts payable (money they company owes to suppliers). short term loans and accrued expenses.

why It's importants:

working capital measures a company's liquidity efficiency and financial health. Positive working capital indicates that a company has enough short-term assets to cover its short-term liabilities which helps ensure smooth operations. negative working capital may signal liquidity issues unless the company has a business model that delayed payments to suppliers.

It is crucial for ensuring that a company can continue its operations without running into cash flow problems