

## working capital Assignment 7

Amount needed to be funded in order to run day to day operation of the business smoothly

working capital, also known as net working capital (NWC), is

$$\text{working capital} = \text{current assets} - \text{current liabilities}$$

current assets (Inventory, receivables, Prepaid expenses)

current liabilities (payables, customer advance)

Example

$$\text{current assets} = \$200,000$$

$$\text{current liabilities} = \$150,000$$

$$\begin{aligned}\text{working capital} &= \$200,000 - \$150,000 \\ &= \$50,000\end{aligned}$$

working capital is the different between a company's current assets and current liabilities, reflecting its short term financial health



In this example, the company has  
\$ 50,000 in working capital.

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