Assignment · 7

Amounts need to be founded give the order the op[illegible]

Define working capital

working Capital is the defferent between Company's Current assets and Current liabilities. It represents the Short term liquidity available it a business for meeting its day-to-day operational needs. the formula for working Capital is.

working capital = current assets - current liabilities

key components

Current Assets :

Those are assets that are excepts its be converted into cash within a year. the includes. Items like cash accounts recivable (money owned by customers) and inventory.

Current liabilitie

There are obligation or debt that the company needs to settle within a year. they included accounts payable (money they company owes to supplies), Short term loans and accrued expenses.

Why It's Important

working capital measures a company's liquidity efficiency and financial health. Positive working capital indiate 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 inssues unless the company has a business model that delayed payment to suppliers

It is cordial for ensuring that a company can contiue its Operations without running into cash flow Problems.