10,000

WC: 20,000. - 10,000

CA - CL

10,000

APPLIED FINANCIAL STATEMENT ANALYSIS

ASSIGNMENT - 6 - 10

B. VENNILA

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DEFINE. WORKING CAPITAL

Working capital is the difference between a companys current assets and current liabilities. It represents the short term liquidity available to a business for meeting its day-to-day operational needs. The formula for working capital

Working capital = current assets - current liabilities

Key components:

current assets: These are assets that are expected to be converted into cash within a year. They include 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 accured expenses.

Why It's Important:

Working capital measures a company's [illegible]
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 supports its such as fast inventory
turnover and delayed Payments to supplies

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