ASSIGNMENT

Explain about negative working capital and in what perspective it will be good why?

Negative working capital occurs when a company's current liabilities exceed its current assets in simple term's it means that a company doesn't have enough short. term assets (like cash, receivables or inventory) to covers its short. term obligations (like payables, short. term loans, or accrued expenses). this can sound alarming but in some case. its can actually be a sign of efficiency depending on the business model.

when negative working capital can be good.

<u>cash flow efficiency</u> <u>business.</u>

companies within strong cash flow and low reliance on inventory can benefit from negative working capital for example, retail business (like super market or online relatives) often receive cash from customer up fort but have time before they suppliers. this mean they didn't need a need to pay lot of working capital and they may deliberately run with negative working capital.

Fast Turnover Industries:

Business with quick inventory turnover and short-term sales cycles. such as fast food chains and or e-commerce platform can operate with negative working capital. They receive payments from customers quickly (sometimes before delivering goods) but suppliers are paid on credit terms, creating a situations where liablities temporarily exceed assets

supplier financing:

Companies may intentionally, extend their payments terms with suppliers using this credit as a form of short-term financing. this inables them to keep less cash or working capital on hand while still fulfilling operations. essentially the business is using suppliers to finance operations rather than its own capital.

why negative working capital can be beneficial.

⇒ **Lower Financing Needs:-**

Companies with negative working capital don't need to raise or hold as much capital cash for operations, reducing borrowing or capital costs.

⇒ **Higher efficiency:-**

It can reflect operational efficiency, especially in industries where goods are sold quickly and payments are delayed to suppliers.

⇒ **Focus on core Activities:-**

Firms can allocate their resources to more productive areas (like expansion or innovations) instead of tying up cash in working capital.