Assignment - 8

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

Negative working capital occurs when a Company's current liabilities exceed its current assets. while it can be a warning sing of financial issues, it can also be beneficial in certain industries like retail, fast food, and subscription-based models.

when Negative wc is good:-

-> Quick inventory turnover:-

Companies sell products quickly and receive cash before paying suppliers.

-> Efficient use of cash:-

firms use supplier credit terms to fund operations, reducing the need for external financing.

-> Subscription - Based models:-

Payments are received in advance. Providing steady cash flow.

Benefits :-

Lower financing Costs :
less need for borrowing

Higher Returns on capital:
cash can be used for growth

Strong supplier Relationships:
Better credit terms .