Assignment - 8.

Explain about negative working capital and in what Perspective it will be good buy?

Negative working capital occurs when a Company's current Liabilities Exceed it's Current assets. in simple terms it means that a Company doesn't have enough short - term assets (like cash, receivables or inventory) to cover it's Short - term obligations (like Payable, Short - term loans or accured expenses).

when negatives working capital can be good.

Cash flow - efficient business:-

Companies with strong cash flow and low reliance on inventory can benefit from negative working capital for ex. retail businesses (like Supermarkets or Online relatives) often receive Cash from Customers up for but have time before they need to pay Suppliers. This mean they didn't need a lot of working Capital and they may run with negative working capital.

Fast turnover Industries:

Business with Quick Inventory turnover and Short term Sales such as fast food chains and or E-commerce Platforms Can operate with negative working capital. They receive Payments from Customers quickly but Suppliers are paid on Credit terms.

why negative working capital can be beneficial:.

→ Lower financing needs.

Companies with negative working capital don't need to raise or hold as much 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 innov instead of typing up cash in working capital.

Wrong