Assignment-9

*. Why are we exclude cash while calculating working Capital?

Cash is typically excluded from the calculating of working capital in certain Contexts, Particularly in more advanced financial analysis, because cash is considered a non-opertional cash is considered a non-opertional asset while cash is indeed a current assets it doesn't efficiency or its ability to generate revenue from core business activities.

Cash is Already liquid

working Capital measures how well a company can manage its current assets (like inventory or account receivable) to cover current liabilities. Since cash is immediately liquid and doesn't need conversion, it's often excluded to focus on assets that require more management

Focus on Operational Assets.

Operating working capital measures only those current assets and liabilities directly tied to daily operations [such as inventory and receivables]. cash, especially excess cash or reserves, may not be directly related to these operations.

Cash management can vary.

Companies may hold large amount of cash for reasons, unrelated to their operations. such as for future investments or to cushion against riskes. Excluding cash offers a better reflection of how well a company is managing non-cash assets to meet short-term obligations.