

WORKING CAPITAL MANAGEMENT

- day 2 day exp, pure FA + week, ST solvency
- WC concept (gross, net) ② Time fixed / hard core & variable / fluctuating
- estimation - judgement, ratio (sales, FA), Holding period

Control table

Pat	Amnt
Rm	
Lab	
OH	
debt	

Cash cycle + HP

•  $WC = \frac{WC\ cycle \times annual\ operating\ exps}{days/months\ p.a.}$

• calculate - Rm & COH separately (only FG/WIP/debt)

Statement of WC

Pat	Working	Amnt
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CA

Rm stk	$Rm\ consumed \times RHP / 12$
WIP - Rm	$Rm\ COH \times WIPHP / 12 \times 100\%$
Lab	$Lab\ cost \times WIPHP / 12 \times 50\%$
OH	$OH \times WIP / 12 \times 50\%$
FG	$COH \times FGH / 12$
Debt	$\% \text{ sales} \times DCP / 12$
Cash	
IT Adv	
Prep.	

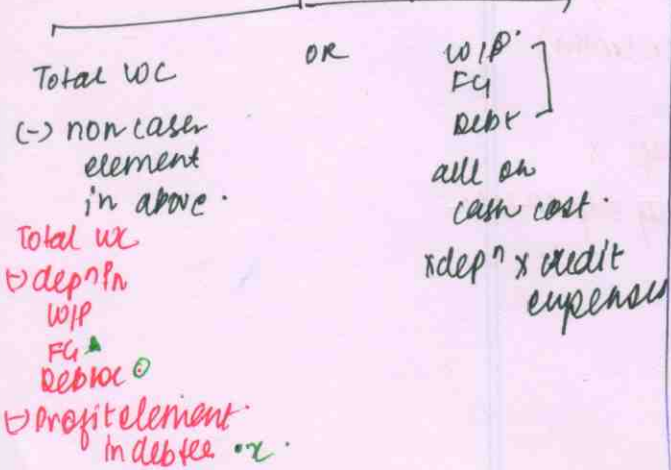
CL

creditor of exp	$Rm\ purchased \times CCP / 12$
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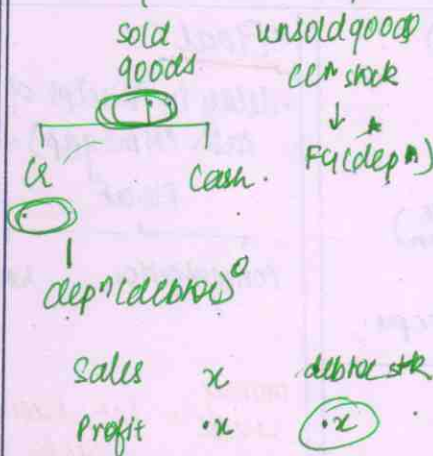
$WC = CA - CL$

- $Rm\ cons = Op^n + P - CA$
- $Purch = con + CA^n - Op^n$
- credit sales & purchases

Cash cost of WC



dep'n Total dep'n



Maximum Permissible Bank finance (MPBF)

- Tandan committee

level I

level II

level III

$75\% \cdot WC$

$[75\% \cdot CA] - CL$

$[75\% \cdot FCA] - CL$

$FCA = fluctuating CA = Total CA - hard core CA$