

39 Lecture - MGT201

Important Subjective

- 1. What is working capital management?**

Working capital management is the process of managing a company's short-term assets and liabilities to ensure that it has sufficient cash flow to meet its operational needs.
- 2. What are the components of working capital?**

The components of working capital are current assets, which include cash, accounts receivable, inventory, and other short-term assets, and current liabilities, which include accounts payable, accrued expenses, and other short-term liabilities.
- 3. Why is working capital management important?**

Working capital management is important because it helps ensure that a company can meet its short-term financial obligations and operate efficiently.
- 4. What are some strategies for managing working capital?**

Strategies for managing working capital include improving cash flow, reducing inventory levels, accelerating accounts receivable collections, and negotiating more favorable payment terms with suppliers.
- 5. How does working capital management affect a company's profitability?**

Effective working capital management can improve a company's profitability by reducing the cost of financing short-term assets and liabilities and increasing operational efficiency.
- 6. What are the risks of poor working capital management?**

Poor working capital management can lead to cash flow problems, missed payment deadlines, and increased financing costs. It can also affect a company's credit rating and ability to obtain financing.
- 7. What are some tools used in working capital management?**

Tools used in working capital management include cash flow forecasting, inventory management software, accounts receivable and payable software, and financial ratio analysis.
- 8. How can a company optimize its working capital management?**

A company can optimize its working capital management by setting clear goals, improving its cash conversion cycle, implementing effective inventory management, and using technology to streamline its financial processes.
- 9. How does the size of a company affect its working capital management needs?**

The size of a company can affect its working capital management needs because larger companies generally have more complex operations and larger cash flows, which require more sophisticated working capital management strategies.
- 10. What role does a company's industry play in its working capital management?**

The industry a company operates in can affect its working capital management needs and strategies because different industries have different cash flow patterns and financial risks. For example, a manufacturing company may have higher inventory levels than a service-based

company, which can affect its working capital needs.