



WORKING CAPITAL MANAGEMENT

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INTENDED AUDIENCE : M.Com, MBA, MFC, CA, ICWA, CS, Working professionals in the area of finance.

INDUSTRIES APPLICABLE TO : All companies working in any area would value this course.

COURSE OUTLINE :

Working capital management has gained the attention of industry and academia as an exclusive area of study after liberalization of Indian Economy. Management of working capital sometimes becomes more important than the management of long term funds because the day-to-day operations of any business largely depend upon this source of finance. Many firms have been seen in the past closing down for the want of short term finance. The profit-ability of any business to a larger extent is affected by this source of finance due to efficient management of current assets and current liabilities. Hence, learning about managing working capital has become more important and critical in the modern scenario.

ABOUT INSTRUCTOR :

Prof. Anil K. Sharma a Professor in the area of Finance & Accounting in the Department of Management Studies, IIT Roorkee is M. Com and M. Phil, First Class First and Gold Medalist and Ph.D. in Financial Management from Panjab University Chandigarh. He is working at IIT Roorkee for the past more than 17 years and has more than 24 years teaching experience in total. His area of interest is finance and accounting and he has equally goods interest in research in the same area. He has published more than 125 research papers in International and National refereed journals and refereed conferences. He has been awarded best paper award for his paper presented in an international conference in Thailand. He is the editorial board member for three International Journals and reviewer to more than twenty International and national Journals.

COURSE PLAN :

Week1: Introduction, meaning, concepts, classification and importance of working capital, Relevance of current assets and current liabilities in the balance sheet, Objectives of WCM. Over- capitalisation, under- capitalisation, zero working capital, Short-term v/s long term financing-A risk-return trade-off. Liquidity v/s profitability trade-off. Cost trade-off, Working capital approaches. Working capital management in some companies.

Week2: Factors determining working capital requirements, Assessment and forecasting of working capital requirements, Assessment and forecasting of working capital requirements, Operating cycle, Weighted Operating cycle.

Week3: Relevance of current assets and current liabilities and their inter-relationship, Management of different current assets, Management of Inventory. Relevance and scope, Deciding the optimum level of inventory in a firm, Purpose and benefits of holding inventory.

Week4: Risk and cost of holding inventory, Inventory management - tools, techniques, Inventory management - tools, techniques, Inventory management - tools, techniques, Inventory management models.

Week5: Inventory management models, Determining stock levels and safety stocks, Types of organizations holding inventory, Inventory strategies & techniques, Inventory strategies & techniques.

Week6: Cases on Inventory Management, Management of Accounts Receivables, Creation and size of accounts receivables, Motives of extending credit, Limitations of A/Rs-Marginal tax considerations.

Week7: Limitations of A/Rs-Tax considerations, Determining maximum length of credit period, Credit terms, opportunity costs, receivables at cost or sale price, Goals and functions of A/Rs management, Short-term changes in credit policy, Long-term changes in credit policy.

Week8: Financial statements analysis wrt. A/Rs, Financial statements analysis wrt. A/Rs, Financial, Cash management-meaning and concept statements analysis wrt. A/Rs, Cash management-meaning and concept, Cash v/s profit. Cash flow, cash stock and cash to current assets ratio.

Week9: Cash flow presentation as per IFRS, NOCF & priority outflows, Management of liquidity-Shiftability theory, Liquidity newly defined, liquidity crises 7 firm level action, Measurement of liquidity.

Week10: Window dressing, Certainty model by Baumol, Uncertainty model by Miller & Orr, Cash flow forecasting, Cash collection system.

Week11: Management of Accounts Payables, Trade credits-terms of purchase, stretching accounts payables, Cost of Stretching A/Ps, The model of cost of stretching A/Ps, Overtrading and the need of a good information system.

Week12: Financing Working Capital Gap, Sources of working capital finance, Bank finance, Tondon and Chore committees on Bank finance, Other sources of working capital finance and deciding a suitable mix.