## 2. WORKING CAPITAL MANAGEMENT

**Objective:**

The objective of the course is to acquaint the students with the importance of the working capital and the techniques used for effective working capital management.

**Module I:**

Concept of Working Capital Management, Importance of Working Capital, Kinds of Working Capital, Factors Determining Working capital, Estimating Working capital Requirements.

**Module II:**

Working Capital Finance, Basic approaches for determining the working capital financing mix, short term credits for working capital requirements, Bank finance for working capital.

**Module III:**

Management of Cash – Motives for Holding Cash and marketable securities; Cash System Managing the Cash Flows, Types Collection Systems, Cash Concentration Strategies Disbursement Tools, Investment in marketable Securities, Forecasting Cash Flows; Managing Corporate Liquidity and Financial Flexibility; Measures of Liquidity, Determining the Optimum Level of Cash Balances – Baumol Mode, Beranek Model, Miller-Orr Model, Stone Model

**Module IV:**

Receivable Management – Determining the Appropriate receivable Policy, Marginal Analysis, Credit Analysis and Decision, Heuristic Approach, Discriminant Analysis, Sequential Decision Analysis.

**Module V:**

Inventory Management Kinds of Inventories, Benefits and Costs of Holding Inventories, Inventory management and Valuation, Inventory Control Models.

**Suggested Readings:**

1. Bhalla V.K, Working Capital Management: Text and cases 4th Delhi, Anmol, 2001
2. Hampton J J and C L Wagner, Working Capital Management, John Wiley & Sons 1989
3. Mannes, T S and J T Zietlow, Short-term Financial Management, west Pub. Co. 1993
4. Scherr, F.C Modern Working Capital Management, Prentice Hall, 1989
5. Smith, Keith V and G.W. Gallinger, Readings on Short-term Financial Management, 3rd ed. West Pub. Co., 1988

The list of cases and specific reference including recent articles and reports will be announced in the class at the time of launching of the course.