



# RAMA UNIVERSITY

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**FACULTY OF COMMERCE AND MANAGEMENT**

**COURSE: MBA III SEM..**

**SUBJECT: WORKING CAPITAL MANAGEMENT**

**SUBJECT CODE: MBAFM02**

**LECTURE: 2**

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## LECTURE-2



## **CURRENT LIABILITIES**

Current liabilities are those liabilities which are intended to be paid in the ordinary course of business within a short period of normally one accounting year out of the current assets or the income of the business.

Examples of current liabilities are:

<b>CONSTITUENTS OF CURRENT LIABILITIES</b>	
1.	Bills Payable.
2.	Sundry creditors or accounts payable.
3.	Accrued or outstanding expenses.
4.	Short-term loans, advances and deposits.
5.	Dividends payable.
6.	Bank overdraft.
7.	Provision for taxation, if it does not amount to appropriation of profits.

The gross working capital concept is financial or going concern concept whereas net working capital is an accounting concept of working capital. These two concepts of working capital are not exclusive; rather both have their own merits.

### **(A) Operating Cycle or Circular Flow Concept**

As discussed earlier, working capital refers to that part of firm's capital which is required for financing short-term or current assets such as cash, marketable securities, debtors and inventories. Funds, thus, invested in current assets such as cash, marketable securities, debtors and inventories. Funds, thus, invested again in exchange for other current assets.

