



# RAMA UNIVERSITY

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**FACULTY OF COMMERCE AND MANAGEMENT**

**COURSE: MBA III SEM..**

**SUBJECT: WORKING CAPITAL MANAGEMENT**

**SUBJECT CODE: MBAFM01**

**LECTURE: 15**

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## LECTURE-15



### **REGRESSION ANALYSIS METHOD.**

According to this method, statistical formula is used to determine the working capital requirement. Projection of working capital is made after establishing the average relationship in the past years between sales and working capital i.e., current assets.

#### **Procedure for Computation of Working Capital**

Current Assets		
Raw Material	xx	
Work in Progress	xx	
Finished Goods	xx	
Debtors	xx	
Cash	xx	
Total Current Assets		xx
Less : Current Liabilities		
Creditors	xx	
Wages	xx	
Any Other Expenses	xx	
Total Current Liabilities [TCA – TCL]	xx	
Working Capital	xx	
Add: Contingencies	xx	
Amount of Working Capital required	xx	

#### **Workings:**

(i) First of all uniformly we have to find out the number of units. It is the basis for computation of cost of all the elements.

(ii) Computation of finished goods

Raw Material Cost	xx
Labour Cost	xx
Overhead Cost	xx
Finished Goods	xx

(iii) Work in progress and finished goods value will be the same. But the production occurring evenly throughout the year given in the problem means we have to find out the work-in-progress value separately.

i.e; Raw Material Cost	xx
Labour Cost (It is reduced to half)	xx
Overhead Cost	xx
Work in Progress	xx

