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Working capital

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Summary

Working capital represents the set of financial resources necessary to sustain a company's current operations, ensuring its ability to meet short-term obligations and maintain its operational cycle. It comprises current assets such as cash, inventory, and accounts receivable, and current liabilities such as suppliers and immediate financial obligations. Efficient working capital management is fundamental to organizational financial health, as it directly influences liquidity, profitability, and operational risk. Appropriate management strategies, such as inventory control, negotiating payment terms with suppliers, and optimizing cash flow, allow for reducing the need for external financing and improving economic performance. Thus, working capital is an essential element for the continuity of business activities and for competitiveness in the market.

Keywords: Working capital, Financial management, and Cash flow

Abstract

Working capital represents the set of financial resources required to sustain a company's current operations, ensuring its ability to meet short-term obligations and maintain the operational cycle. It is composed of current assets — such as cash, inventories, and accounts receivable — and current liabilities — such as suppliers and immediate financial obligations. Efficient working capital management is essential for organizational financial health, as it directly influences liquidity, profitability, and operational risk. Appropriate management strategies, such as inventory control, negotiation of payment terms with suppliers, and cash flow optimization, help reduce the need for external financing and improve economic performance. Thus, working capital is an essential element for ensuring business continuity and maintaining competitiveness in the market.
Keywords: Working capital, Financial management, Cash flow

1. Introduction

Working capital is fundamental for good financial management, being a resource that brings... Security for the business and ensuring its longevity. This refers to the amount of money. necessary to cover all of the company's daily operating expenses, such as payments to suppliers, Periodic contracts, utility bills, and other operational costs—their absence can seriously compromise the proper functioning of a business, so this need should be prioritized. In essence, the Working capital is the fuel that keeps the business running and ensures that the company has... ability to operate efficiently and sustainably.

If a company does not have sufficient working capital, it may face several problems that can... to jeopardize its survival and performance in the market.

This expanded summary aims to provide a comprehensive overview of working capital. highlighting how important it is to a company's financial health, discussing methods for to manage it effectively and prevent companies from failing to cover operating expenses. In addition Furthermore, the intention is to discuss the problems that companies face as a result of a lack of working capital. and possible solutions.

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Companies can suffer a negative reputation, making it difficult for them to attract new investments. Suppliers and customers suffer from a loss of trust, causing them to invest in other, more reliable companies. reliable.

Their growth may be limited because they do not have sufficient capital to cover expenses. daily business operations. The company will not have the capacity to launch new products and explore opportunities in the market. market to obtain resources.

Delays or non-payment to suppliers can lead a company to a point where it cannot... manage to receive more supplies and replenish stock.

2. Theoretical Framework / Results

2.1 Working Capital Management in the Traditional Model

In the traditional model of economic and financial analysis, the analysis is focused on ratios. arising from the financial statements. Thus, there will be a logical relationship between the accounts. financial and accounting information, with the purpose of presenting the organization's financial condition.

In the traditional model, it is important to highlight the concept of net working capital (NWC), which is the The difference in results between the balance sheet accounts. The result will be the difference between the accounts. Present in current assets and debts in current liabilities, this concept allows us to analyze the The company's short-term liquidity. When considering the current accounts on the balance sheet, We can measure liquidity using the following ratios:

Current Liquidity: (Current Assets) / (Current Liabilities)

Quick Ratio: (Current Assets - Inventories) / (Current Liabilities)

Immediate Liquidity: (Available Funds) / (Current Liabilities)

Working Capital Management in the Fleuriet Model

The Fleuriet model is an innovative approach that departs from traditional methods of... Working capital analysis, because instead of focusing solely on the balance sheet, this model analyzes... also the financial flows and their interaction with business operations, thus creating a A very good symbiosis for extracting value from cash flow analysis.

Working Capital Requirement (WCR), which represents the difference between assets Operating current assets (such as inventory and accounts receivable) and operating current liabilities (as suppliers). In other words, NCG measures the amount needed to finance the The time difference between payments to suppliers and the receipt of payments from customers.

"Efficient working capital management is essential to ensure the liquidity and solvency of a company." company, enabling the continuity of operations and the realization of investments." (Assaf Neto, 2013).

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Net Working Capital (NWC), which represents the difference between all current assets and All of a company's current liabilities. Essentially, it's the amount of short-term resources. that which the company has available after settling all its short-term obligations. The CGL is fundamental to ensuring that the company has sufficient liquidity to operate on a daily basis and meet its needs. to unforeseen financial events.

"Companies with strategic working capital management are able to balance Properly manage inventory levels, accounts receivable, and accounts payable, resulting in greater... "Operational efficiency." (Santos & Lima, 2015).

Treasury (T), which reflects the company's short-term liquidity and refers to the difference between Net Working Capital (NWC) and Working Capital Requirement (WCR). In other words, represents the net amount of short-term resources that a company has available after To finance your working capital needs.

Formulas:

Treasury: CGL - NCG

Current Assets - Current Liabilities

NCG: Accounts Receivable + Inventory - Accounts Payable

"Working capital is one of the main indicators of a company's financial health, because..." "It represents the resources needed to finance its daily operations." (Silva, 2016).

Working capital is very important for a company to have financial stability. If it is lacking, it can trigger several problems that may influence... The company's growth is creating difficulties in attracting investors; the company will have a Limited growth will also lead to day-to-day problems, causing the following to occur. late payment of your obligations.

2. Materials and Methods

This study is characterized as applied research, with a descriptive approach, whose The objective was to analyze the main elements related to working capital and its influence on management. Corporate finance. To achieve this objective, the following methodological procedure was adopted: bibliographic research, carried out through consultation of books, scientific articles, dissertations and specialized periodicals in corporate finance.

In addition to the theoretical review, a documentary analysis of financial statements was conducted. from companies belonging to the sector defined for the study. The documents analyzed were obtained through publicly accessible institutional reports. The data collected were processed in a way Qualitative and quantitative: the qualitative analysis sought to interpret working capital management models.

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presented in the literature; while the quantitative analysis focused on the indicators of Need for Working Capital (NCG), Current Liquidity, Inventory Turnover, and Financial Cycle.

The organization and interpretation of the data followed the principles of content analysis. allowing us to identify relationships between theory and practice and to understand how capital management works. Working capital influences the financial performance of the companies evaluated.

3. Results and Discussion

The analysis revealed that working capital management has a direct influence on the liquidity, profitability, and operational capacity of the companies evaluated. Based on Based on the financial statements analyzed, it was observed that organizations with greater control over their Current assets and liabilities showed better financial performance, reflected in higher ratios. Balanced liquidity and reduced need for external financing.

The results indicated that the Working Capital Requirement (WCR) shows variation. significant among companies in the sector studied, especially due to inventory policies and of average collection and payment terms. Companies with high inventory levels and payment terms Longer payment terms have put greater pressure on working capital, which has an impact. directly impacting their financial cycle. On the other hand, those that maintained lean inventories and adopted Negotiation strategies with suppliers resulted in a reduction in the operating cycle and greater Efficiency in the use of resources.

Another relevant point observed relates to cash flow, which proved to be crucial. for the financial stability of organizations. Companies that have implemented practices of Continuous monitoring of cash flow has provided greater predictability in resource management. and a greater ability to honor short-term commitments. This behavior is aligned with literature, which highlights the importance of cash flow as a tool for decision-making and Reducing operational risks.

The discussion of the data shows that efficiency in working capital management is associated with Well-structured internal policies and the use of financial control instruments. The results Authors who argue that proper management of working capital elements corroborates this. contributes to improving the competitiveness and financial sustainability of companies, a since it reduces dependence on third-party capital and increases investment capacity.

Thus, the analysis carried out demonstrates that rigorous management of the elements that make up the Working capital is essential to ensure business continuity and optimize performance. The economic impact on organizations confirms the relevance of this topic to the field of financial management.

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Final Considerations

Working capital plays a crucial role in a company's financial management because This represents the resources needed to finance your daily operations. Ensuring adequate capital Working capital is essential to maintain liquidity and the ability to pay short-term obligations, avoiding... thus serious financial problems, such as a lack of resources to pay suppliers or expenses. operational.

Furthermore, working capital is directly linked to operational efficiency and capacity. of a company's growth. Companies with well-managed working capital are able to seize growth opportunities, invest in new projects, and face economic challenges. adverse conditions with greater resilience.

However, managing working capital is not a simple task. It requires a balance. It's a delicate balance between maintaining adequate inventory levels, managing customer payment terms, and... suppliers, and optimize the cash conversion cycle. Successful companies often They implement strategies such as negotiating better commercial terms with suppliers, Adoption of technologies to improve operational efficiency and continuous analysis of cash flows.

In short, good working capital management not only strengthens the financial position of a company in the short term, but it also contributes to its sustainability and growth. long term.

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