

## How to Use Working Capital to Make Smarter Business Decisions

Working capital is an important part of keeping any business running smoothly, whether you're managing day to day operations or planning for growth. Understanding working capital is key to making informed financial decisions.

### Working Capital Basics

Let's start with the basics. Working capital is the money available to cover a company's short-term needs. This includes things like payroll, inventory and regular expenses. There are a few different types of working capital, and each serves a specific purpose.

### Net Working Capital

First, there's net working capital. This is calculated by subtracting your current liabilities from your current assets. A positive number generally means your business has enough resources to meet its short-term obligations. A negative number could be a sign that adjustments are needed.

### Gross Working Capital

Next is gross working capital. This refers to the total value of your current assets, things like cash, accounts receivable, and inventory. It gives you a quick view of the resources you have available. Another type is permanent working capital. This is the amount a business needs to maintain in order to operate throughout the year, even during slower periods. It remains relatively stable regardless of seasonal changes.

### Temporary Working Capital

Temporary working capital, on the other hand, is more flexible. It fluctuates based on short-term needs, such as increased demand during a busy season or one-time project that requires additional resources.

Recognizing the difference between these types of working capital can help business owners better manage cash flow, prepare for growth opportunities and navigate periods of uncertainty. A strong working capital position gives a business more flexibility to move forward with day-to-day operations and long-term goals. Let us know how we can help you reach peak working capital.

---

#### Madison, WI

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

**Phone: (608) 831-8181**  
**Fax: (608) 831-4243**

#### Brookfield, WI

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

**Phone: (262) 641-6888**  
**Fax: (262) 641-6880**

#### Colorado Springs, CO

P.O. Box 62786  
Colorado Springs, CO 80962  
**Phone: (719) 413-5551**

#### Contact Us:

**Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)**  
**Web: [SVAaccountants.com](http://SVAaccountants.com)**