

CASH MANAGEMENT & FINANCING CHOICES

THE DEBT MARKET

- EXERCISE NOT DONE IN CLASS -



Lesson 5

Corporate Finance

Castellanza, 3rd October 2018

NET WORKING CAPITAL – EXERCISE 2

<i>Balance sheet</i>					
Assets	2003	2004	Liabilities	2003	2004
Intangible assets	2.100	1.980	Short term financial debt	1.780	2.250
Tangible assets	6.350	7.210	Long term financial debt	1.000	1.000
Financial assets	100	-	Accounts payable	3.480	4.210
Inventories	2.070	2.120	Deferred revenues	210	170
Accounts receivable	4.210	4.370	ETP fund	860	1.200
Other receivable	510	450	Mortgages	3.000	2.500
Deferred charges and prepaid expenses	40	60	Equity	2.000	2.500
Cash & cash equivalents	200	350	Reserves	2.000	1.500
			Profit	1.250	1.210
Total	15.580	16.540	Total	15.580	16.540

NWC – SOLUTION

First step

Calculate variation
between T_1 and T_0

	2004	2003	Variation
Trade receivables	4.370	4.210	160
Other current receivables	450	510	-60
Inventories	2.120	2.070	50
Deferred charges and prepaid expenses	60	40	20
Trade payables	4.210	3.480	730
Other commercial payables	0	0	0
Deferred revenues	170	210	-40

Second step

Calculate variation
Nwc

$$\text{VAR. NWC} = 160 - 60 + 50 + 20 - (730 - 40)$$

$$\text{VAR. NWC} = - 520$$