

OVERTRADING

Meaning: Overtrading refers to a situation where a business expands its operations or sales beyond its capacity to manage, often resulting in cash flow issues.

1. Overtrading can lead to cash flow problems for small businesses.
2. Many companies face challenges due to overtrading during rapid growth periods.
3. Investors should be wary of firms that show signs of overtrading in their financial statements.
4. Effective inventory management can help mitigate the risks associated with overtrading.
5. Overtrading often occurs when a business expands its operations without adequate funding.

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