

A STUDY ON WORKING CAPITAL MANAGEMENT

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ABSTRACT

This report is aiming at analyzing the working capital assessment performance of the company for the period of 5 years from 2013-2014 to 2017 -2018. The tools are used in this study for the analysis, such as Trend Percentage, Ratio Analysis etc., A personal talk with the Finance and Accounting Department has been made .The discussion has helped a lot in the analysis of cost include in Working Capital Management and Ratio Analysis in particular and the financial performance is general.

Keywords: working capital , ration analysis , performance, etc

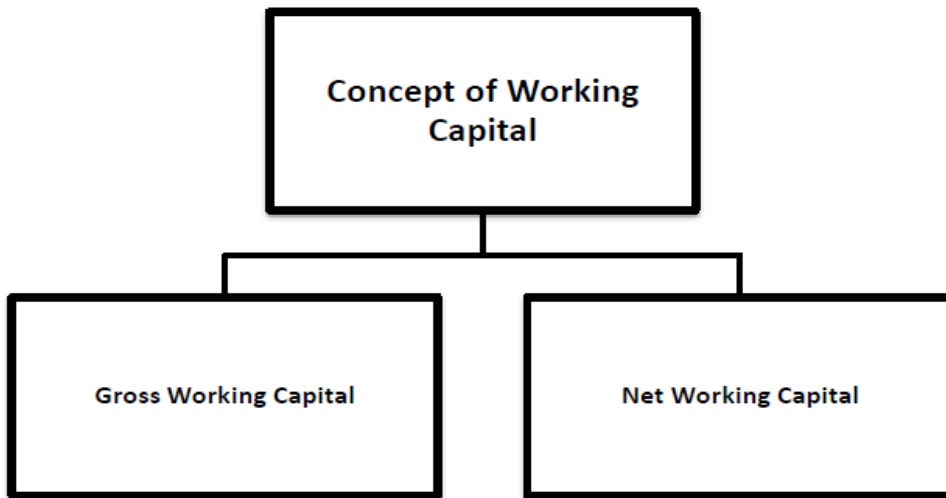
INTRODUCTION

Working capital is the life blood of any organization. it provides amount for the day-to-day requirement of any organization.there are two concepts of working capital,gross capital and net capital.Gross working capital,simply called working capital, refers to the firm's investment in current asset, current liabilities.Net working capital is the difference between current asset and current liabilities. The firm should maintain a sound working capital position. It should have adequate working position. It should have adequate working to sum its business operations. Both excessive as well as inadequate working position are dangerous form the firm's point of view. Excessive working capital means idle funds, which earn on profit for the firm.

CONCEPT OF WORKING CAPITAL

The concept of working capital is very important because the term is used for the capital needed for day-day operation. Adam smith (1776) explained, “ the goods of the merchant yield him no revenue or profit, till he sell them for money, and the money yields him as little it again exchanged for goods.

There are two concepts of working capital . There are :



1. Gross working capital

In a broad sense, the working capital refers to the gross working capital. This represents amount of funds invested in current assets. Under the gross concept, working capitals equal to total current assets.

Current assets are those assets which can be converted into cash within an accounting year (or operating cycle) it includes 1.Cash in hand and at bank 2. Sundry debtors less provision 3.Bills receivables 4.Closing stock 5. Short-term investments 6. Prepaid expenses 7. Accrued incomes.

<p>FORMULA = Total Assets – Fixed Assets</p> <p style="text-align: center;">(or)</p> <p style="text-align: center;">Cash + Investments + Debtors + Inventory</p>

2.Net working capital

Current liabilities are those claims which are expected to mature for payment within an accounting year. It includes 1.Sundrycreditors 2. Bills payable 3. Outstanding expenses 4. Bank overdraft 5. Dividend payable 6. Provision for taxation.

Net working capital may be positive or negative. When the current assets exceeds current liabilities, the working capital is positive. On the other hand, when the current liabilities exceeds current assets, the working capital is negative.

Both gross working capital and net working capital concepts are important aspects of working capital. The gross working capital is suitable to company form of organisation where there is divorce between ownership and management and control. But the net working capital concepts may be suitable for sale proprietaryship or partnership firm. Of the two, net working capital concepts is widely accepted.

$$\text{FORMULA} = \text{Current Assets} - \text{Current liabilities}$$

REVIEW OF LITERATURE

JOSEPHJISHA.(2015) closely examines the study of working capital management in Ashok Leyland and points out that the liquidity and profitability position of the company is not satisfactory, and needed to be strengthened in order to be able to meet its obligations in time.

MADHAVI K (2015) An empirical study of the co-relation between liquidity position and profitability of the paper mills in Andhra Pradesh. It has been observed that inefficient working capital management makes a negative impact on profitability and liquidity position of the paper mills.

GURUMURTHY.N.& REDDY JAYACHANDRA.K(2014) Have conducted a study on the working capital management of four pharmaceutical companies APSPDCL, APEPDCL, APNPDCL and APCPDCL and have come to the conclusion that the existing system of working capital management was not up to the mark and needed to be improved.

BAGCHI B. AND KHAMRUL B.(2012) Investigate the relationship between working capital management and the companies' profitability, and identify the variables that most affect profitability. It is also an empirical study where the authors have investigated the effect of working capital management on the companies' profitability by using a sample of Indian FMCG companies.

The study concludes with the observation that both CCC and debt used by the firm are negatively associated with the companies' profitability

OBJECTIVES OF THE STUDY

- To analysis the working capital position of the company for the past 5 years.
- To measure the liquidity position of the concern.
- To study the composition of current assets.
- To study the composition of current liabilities

RESEARCH DESIGN:

The research is analytical research and it is in a conclusion oriented manner i.e. We are making some analysis and we are critically evaluating the material.

DATA SOURCES:

The research used secondary data for this study, and this data was collected from the records like balance sheet, profit and loss account and other relevant records.

SECONDARY DATA:

The data relating to the financial statements has been collected from the published annual report for the year 2013-2014 to 2017-2018 Secondary data has been collected from the internal sources.

ANALYTICAL TOOL

The researcher used the following data based on secondary data. Following tools are used in this study:

- Ratio Analysis
- Trend Analysis

DATA ANALYSIS

WORKING CAPITAL TURNOVER RATIO

The working capital turnover ratio is also referred to as net sales to working capital. It indicates a company's effectiveness in using its working capital. The working capital turnover ratio is calculated as follows:

Net Sales

Working capital turnover ratio = -----
Net Working Capital

TABLE NO-1

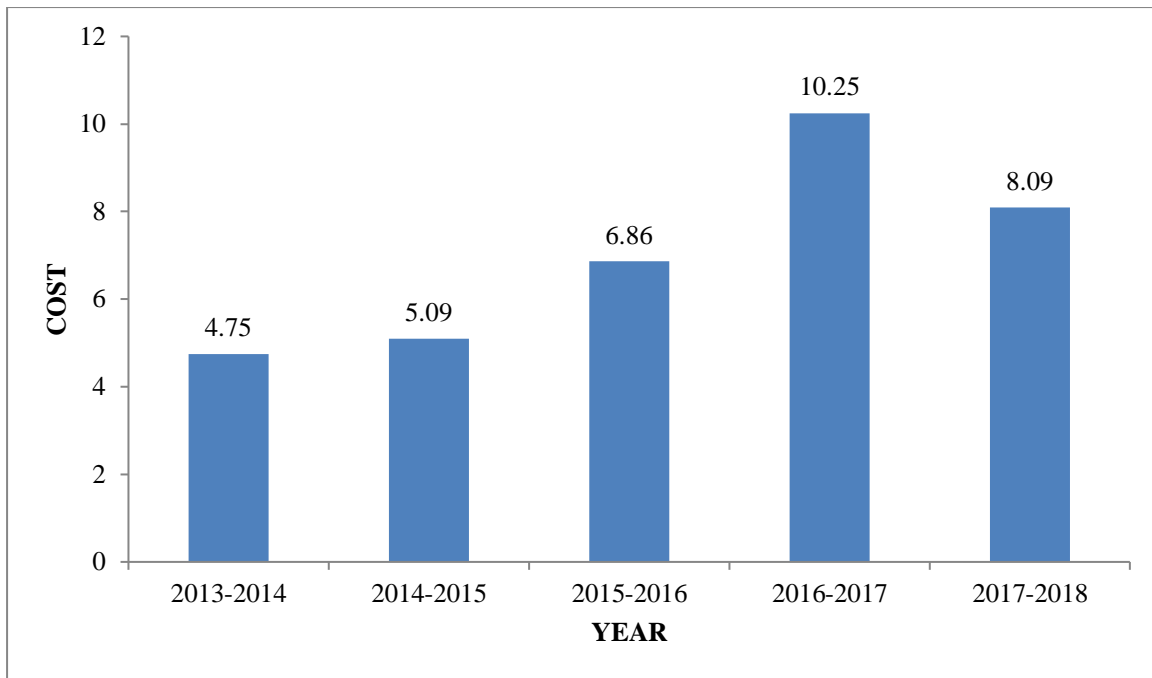
Year	Sales	Net Working Capital	Working Capital turnover Ratio
2013-2014	2800.89	589.41	4.75
2014-2015	2616.22	513.37	5.09
2015-2016	3223.62	469.55	6.86
2016-2017	3830.80	373.48	10.25
2017-2018	3683.51	455.14	8.09

Sources: Annual report for forward leather co.

INTERPETATION:

It has been found that the working capital turnover ratio which is a measure of net sales by working capital. Working capital ratio during the year 2013-2014 was 4.75 and it was increased as 5.09 in the year 2014-2015. During the year 2015-2016 and 2016-2017 it was increased as 6.86 and 10.25. In the year 2017-2018 it was decreased as 8.09.

CHART-1 WORKING CAPITAL TURNOVER RATIO



TREND PERCENTAGE OF CURRENT ASSETS

TABLE NO-.2

Year	Current Assets	Trend%
2013-2014	1135.65	100
2014-2015	925.05	81.46
2015-2016	1035.77	91.21
2016-2017	1238.92	109.09
2017-2018	1249.54	109.98

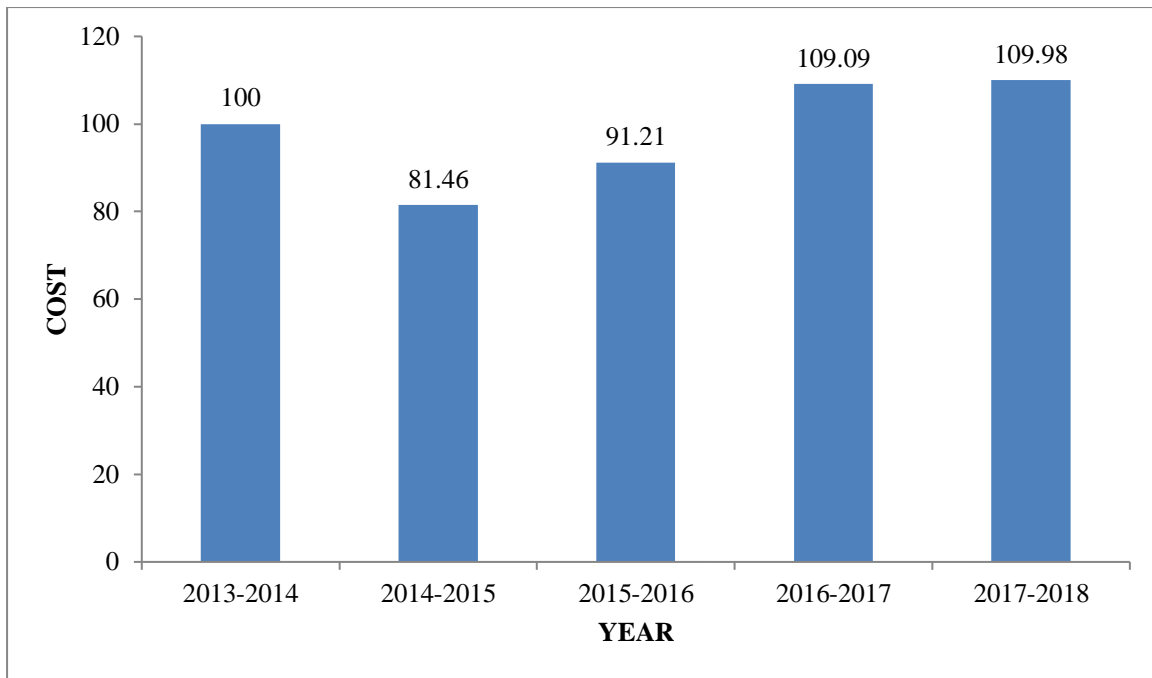
Sources: Annual report for forward leather co.

INTERPRETATION:

From the above table trend analysis showing it is inferred as base year 2014-2017. Current assets has been increases during the year 2018 Current assets is 1249.54. its increased in percentage on 109.98.

TREND PERCENTAGE OF CURRENT ASSETS

CHART-2



TREND PERCENTAGE OF CURRENT LIABILITIES

TABLE NO-3

Year	Current Liabilities	Trend%
2013-2014	546.24	100
2014-2015	1438.42	263.33
2015-2016	1505.32	275.57
2016-2017	1612.40	295.18
2017-2018	1704.68	312.07

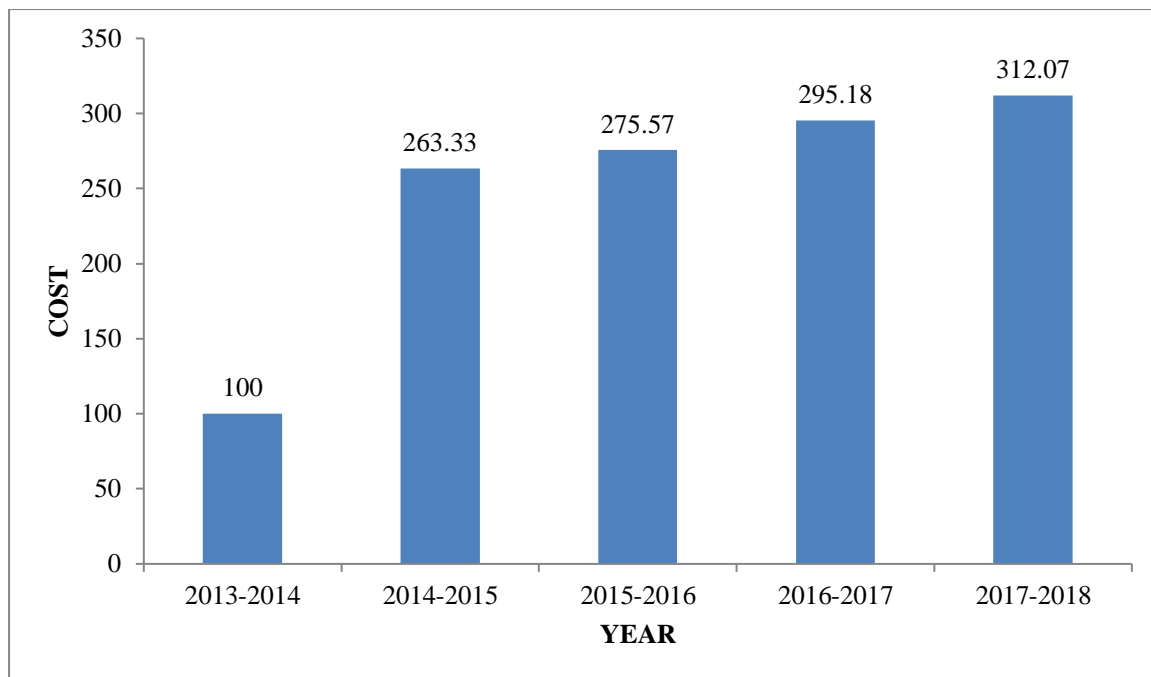
Sources: Annual report for forward leather co.

INTERPRETATION:

From the above table trend analysis showing it is inferred as base year 2014-2017. Current liabilities has been increases during the year 2018 Current liabilities is 1704.68. its increased in percentage on 312.07.

TREND PERCENTAGE OF CURRENT LIABILITIES

CHART-3



FINDINGS

- ★ The working capital position of the company is positive in nature. That there is excess of current assets over current liabilities during the period of study which indicates that the firm has sufficient current assets to meet its current liabilities.
- ★ The working capital turnover ratio are all per which indicates that working capital is efficiently used by the firm.
- ★ The trend percentage on current assets increased in the year 2017-2018 was 109.98
- ★ The trend percentage on current liabilities increased in the year 2017-2018 was 312.07

CONCLUSION

To conclude the study on working capital management. The working capital position of the company is satisfactory to meet the current obligation. The purpose of working capital is very essential to smooth running of the business. In the future period the working capital position will be satisfactory if the company speeds up its collection policy and efficiency utilization of funds. Finally, to say about company performance on management of working capital is good.

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