



ASSESSMENT OF WORKING CAPITAL MANAGEMENT
(IN CASE OF YEKABDI AGRO PROCESSING PRIVATE LIMITED
COMPANY (WOW))

Prepared By: *HIKMA MOHAMMDNUR*

**A research Essay submitted to the Department of Accounting and Finance for
the partial fulfillment of the Requirement for bachelor of Art (BA) Art Degree
in Accounting and Finance**

Advisor: BIRHANU YIRGA (MSC)
COLLEGE OF BUSINESS AND ECONOMIC
DEPARTEMENT OF ACCOUNTING AND FINANCE

Jan, 2020
Wolkite, Ethiopia

ACKNOWLEDGMENT

It has become the willingness and almighty of god and most passionate to finalize this paper.

We would like to express great gratitude and heartfelt appreciation to our advisor Birhanu yirga (MSc) for his critical reading of the paper and gave us valuable advice, suggestion and instructive comments on the paper at every stage and every points to make the paper more articulate.

We would like to express our deepest thank to WOW employees and managers for their help in collecting the required data, responded for our questions and moral commitment.

For the rest we would like to give our gratitude to all of you who contributed for this paper to reach at this stage.

Abstract

The study is applied to assess the working capital management practice of WOW. The main objective was to know the working capital management practice, the liquidity, the performance and the profitability position of the firm. The study was used descriptive type of research design and it would be use primary and secondary data. All data abstained from annual financial report (balance sheet) of the firm and from interview was assessing through the information collected and interpreted the performance position of Wow in 2009 and 2011. The data was assessed by using different financial ratios such as liquidity and profitability ratios and liquidity ratio measures the firm's ability to pay its liability, good activity management and profitability of firm. Liquidity determines performance of short term creditor of WOW under current ratios, quick ratio and cash ratio. .WOW has not better current ratio, quick ratio, cash ratio (liquidity passion), turnover ratio (from performance of the firm), net profit ratio; the firm has a poor performance over inventory turnover ratio, work. In other WOW has low inventory management and maintain less amount of net working capital to generate the target level of sale. Finally, after analyzing the stated problems the researchers made conclusion and forward the possible suggestion based on the findings.

..

TABLE CONTENT

ACKNOWLEDGMENT	ii
Abstract	iii
LIST OF TABLES	vi
Acronyms	vii
CHAPTER ONE	1
1. INTRODUCTION	1
1.1 Background of the study	1
1.4. Objective of the Study	2
1.4.1. General Objective	2
1.4.2. Specific Objective	2
1.5. Significance of the Study.....	3
1.7. Limitation of the study.....	4
1.8 Organization of the research report.....	4
CHAPTER TWO	5
2. Review of literature	5
2.1 Theory	5
2.1.1. Concepts and nature of working capital management	5
2.1.2. Liquidity.....	7
2.1.3. Current asset management	8
2.1.3.1 Cash management technique.....	8
2.1.3.1.1 Operating cycle	8
2.1.3.1.2 Cash conversion cycle (ccc).....	9
2.1.3.2 Management of marketable securities	10
2.1.3.4 Inventory Management	11
2.2. Empirical Studies	11
2.2.1 Need for working capital	12
2.2.2 Balanced working capital position.....	13
2.2.3 Determinates of working capital.....	13
2.2.4 Issues in working capital Management.....	16
2.2.5 Estimation Working Capital needs	17
2.2.6 Source of Finance	17
2.2.7 Matching approaches	18
CHAPTER THREE	20
3. Research Methodology	20

3.1, Introduction.....	20
3.2 Research Design.....	20
3.3 Research Approaches.....	20
3.4. Source of Data and collection method.....	21
3.5. Target population and sample design	21
3.6. Method of data presentation.....	21
3.7. Data Analysis Techniques.....	21
CHAPTER FOUR.....	22
4. RESULTS AND DISCUSSION	22
4.1. Personal Attributes of Respondents	22
4.2 Working Capital Issue.....	23
4.3 Organizational issues related to Working capital	24
4.4 Liquidity Measures	25
4.4.1 Net working Capital.....	25
4.4.2 Current Ratio.....	26
4.4.3 Quick Ratio	26
4.5. Profitability and risk trade off.....	27
4.6 Cash Management.....	28
4.6.1, Inventory Management	29
5. Conclusion and Recommendation	30
5.1 Conclusion	30
Reference.....	33
Appendix 1 questionnaire	34

<u>LIST OF TABLES</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
Table 1	personal attribute rp.....	22
Table 2	Working capital issue.....	23
Table 3	orgn issue related to WC.....	24
Table .4	net working capital.....	25
Table 5	Current ratio.....	26
Table 6	Quick /acid test / ratio	26
Table 7	ratio of current asset to total asset.....	27
Table 8	ratio of CL to CA.....	28
Table 9	cash and sale figure.....	28
Table 10	Inventory turnover ratio	29

Acronyms

Average payment period	APP
Average collection period.....	ACP
Current ratio.....	CR
Current liability.....	CL
Cash asset.....	CA
Cost of goods sold.....	CGS
Earnings before interest and tax.....	EBIT
Inventory collection period.....	ICP
Inventory turnover ratio.....	ITOR
Net profit margin	NPM
Operating profit margin	OPM
Quick ratio	QR
Return on Asset	ROA
Total asset	TA
Working capital management	WCM

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

The study of the working capital management and source of finances for the working capital is an essential part of managing day-today activities of the firm. A firm starts operation maintaining a minimum cash balance on hand and purchases raw materials to produce inventories of finished goods, which is then sold to customers.(Eljelly, 2004). Working capital may be defined by various authors as follows.

According to Weston and Brigham " Working capital management refers to a firm's investment in short term assets, cash, short term securities, accounts receivables and inventories' 'And J.S mill The sum of current asset is the working capital of business".(Weston etal, 2012).Efficient working capital management lead to minimize the operating performance of the business concern and it help to meet the short term liquidity. Hence, study of working capital management is not only an important part of financial management but also are overall management of the business concern.(C.paramasivan.andT.Subramanianfinance

management.www.newagepublishers.com).Working capital represent the portion of investment that circulates from one to an other in the ordinary conducts of business this idea embrances the recurring transition from cash to inventories to receivables and back to cash.(Lawrence J.Gltman, 2003:598).

1.2. Statement of the problem

Working capital is important for business day to day operations. A decision made on one of the working capital components has an impact on the other components.(Crom.klingman,and Tavis, 1983). Working capital management should make share that the desirable quantities of each component of working capital are available for management.(Afza.T and Mazir M.S, 2007). Working capital management is concerned with the problems that arise in attempting to manage current assets, the current liabilities. Any organization when not have proper

working capital management is not effective and failure in working capital management resulted in ultimately bankruptcy (Baker, 2012). Inefficient management of working capital leads a company's to become unproductive and brings in advantage and economic liberalization liquidity and profitability the firm largely depends on effective management at working capital. This is the main reason that the researcher conducts this study on working capital management practice of WOW company.

The effective management of each components of the working capital is essential for the firm so as:

- To control the cost of holding current asset.
- To ensure the adequate level of current asset.
- To avoid the loss caused by in adequate working capital.
- This study would to address control technical insolvency how the bank does identifies, measure, monitor, evaluate, and control working capital management of wow.

1.3. Research question

The study answers the following research questions

1. What the company's current capacity to meet its liability looks like?
2. What are the different strategies used by company to managed different components of working capital?
3. What source of finance does the company use?

1.4. Objective of the Study

1.4.1. General Objective

Generally the study was made to assess working capital management in yekabdi agro processing private limited company (wow).

1.4.2. Specific Objective

The study was made to assess management's attitude toward controlling working capital at satisfactory level and to keep production on uninterrupted throughout fiscal year in firm

The specific objective of the study is as follows:

- ✓ To assess factors that influence or affect the proper working capital management of the firm.
- ✓ To suggest ideas to improve the working capital management of a firm.
- ✓ To assess the source of finance for current assets and their cost to different strategies of the firm that are used to manage various components of its working capital.

1.5. Significance of the Study

In this research the researcher assesses the real world application of an assessment of working capital management by selecting Yekabdi Agro Processing Private Limited Company (WOW). The study has the following significances.

The study is useful in bringing in to light the strong and weak points in the management of working capital.

- ✓ Hence it takes appropriate action in its weak points and makes associational procedures in the management of working capital to Yekabdi Agro Processing Private Limited Company (WOW).
- ✓ The study is important in paving the way for those who are interested to undertake further research on the same stream in the future.
- ✓ This study is important to: Provide useful information for the proper management of each component of working capital of the firm, Offer suggestions and comments on the company's operation, Provide information for further study and to see the company's position from its major competitors and to take corrective actions.
- ✓ The results of this study are also expected to have an important role for the organization and managers to have awareness about the position of working capital of the firm and provide a manager with some possible techniques for the management of working capital.
- ✓ To help as a source for other researchers who would like to collect detailed research on the title.

1.6 Scope of the study

This study was conducted in Yekabdi Agro Processing Private Limited Company (WOW), the study was attempted to deal with only the analysis of working capital management of the company. Due to time and cost constraints the study was limited to

- ✓ Management of cash
- ✓ Management of inventory

- ✓ Management of receivable
- ✓ Current liability

1.7. Limitation of the study

When conducting this study, the researcher might be facing certain constraint which limited the scope of the study. Among those constraints that most significant are the following

- ✓ Shortage of resource, Like computer , Internet access
- ✓ financial and time limitation reduce the depth of the research

1.8 Organization of the research report

The study contains five chapters.

Chapter one deals with the introduction which includes background of the study, statement of the problem, research question, objective of the study, significant of the study, scope of the study, and limitation of the study.

Organization of the research report Chapter two presents the review of related literature. Chapter three states research methodologies. Chapter four also deals with results and discussion. Final chapter which is chapter five represents of major conclusion and recommendation

CHAPTER TWO

2. Review of literature

2.1 Theory

2.1.1. Concepts and nature of working capital management

The current assets, commonly called working capital represent the portion of investment that circulates from one form to another in the ordinary conduct of business. This idea embraces the recurring transaction from cash to inventories, then to receivables and back to cash that forms the operating cycle of the firm.

There are two types of working capital; permanent and temporary (fluctuating variable) working capital.

Permanent working capital is a minimum amount (safety stocks of cash and inventories) required to be kept in the form of current assets. It is a fund required for the day-to-day operational activities of the firm.

Temporary working capital (fluctuating/seasonal) is the amount required to meet seasonal demands. Current liabilities represent the firm's short term financing because they include all debts of the firm that come due (must be paid) in one year or below one year.

Net working capital is defined as the difference between the firm's current assets and current liability. If the firm has positive net working capital, it is the portion of the firm's current assets are financed with long-term funds, meaningless short term funds financed with more long-term funds. And if the firm's net working capital is negative shows the current liabilities exceed the current assets. So, the firm is financing from less long-term funds with more short-term fund.

The concept of net working capital is useful to groups interested in determining the amount and nature of assets that may be used to pay current liability. (V.K Bhalla, 2003; Working capital management ANONI Publication New Delhi).

There are three strategies, but two of them are more basic (aggressive and conservative) for determining an appropriate mix of short-term or current liability and long-term financing.

An aggressive financing strategy calls for firm financing to meet at least its seasonal requirements and possibly some its permanent requirements with short-term funds, the balance is financed with long-term funds under which restricted policy current assets are turned over more frequently and the holding cash, securities, inventories and receivables are minimized (firm is financing more from short-term fund). This increases profitability of the firm. However, is risk, the firms ability to meet its liability is less when it comes due or unable to meet liability.

Conservative financing strategy, under this strategy relatively large amounts of cash, marketable securities and inventories are carried, and sales are stipulated by liberal financing policy (relaxed collection period) to customers a corresponding high level of receivables are bound to occur (firm finances more from long-term funds). Use shot-term financing in the event of an emergency or unexpected out flow of funds. It is difficult to imagine how this strategy could actually be implemented, because the use of short-term financing tools, such as account payables and accruals are virtually un avoidable unlike the aggressive strategy, the conservative strategy required the firm to pay interest for un needed funds. The lower the cost of aggressive strategy. Therefore, makes it more profitable than the conservative strategy. However, it involves much more risk (aggressive strategy).

For most firms, trade off between extremes represented by those two strategies should result in an acceptable financing strategy. (Lawerence J. Gitman 693).

Many authors agree that the two concepts. Such as, liquidity ratio and techniques of managing current assets are important in managing working capital effectively under techniques of managing current assets: the cash conversion cycle, technique of maintaining cash, factors influencing the choice of marketable securities, factors used to investigate potential customers. Inventory management and source of short-term financing are included.

(Bodil dick in son B.J campsey Eugene F. Briahm, 1997).

According to the opinion of ration analysis (financial ratio analysis) provides the following information. Ratio analysis is the one of the most important concepts in analysis of effective working capital management. Because it provides the meaningful comparison to its industry and it is the most powerful tools of financial analysis.

Ratio analysis is the method of calculating and interpreting financial ratio to assess the firm's performances and status.

-Financial ratio shows the relationship among statement accounts, enable quick comparison of firms in a given industry and comparison is made to some industry.

-From different group of financial ratio, liquidity ratio is concerned in this study. Because it provides the information that is critical to the short-term operation of the firm.

2.1.2. Liquidity

Liquidity refers to the solvency of the firms over all financial position there as with which can pay its bills. The three basic measures of liquidity are:

- Net working capital
- The current ratio
- Quick (acid-test) ratio

Liquidity ratio has two parts, current ratio and quick ratio. Current ratio is the measure or expresses the relationship between firm's current assets and its current liability, and it is calculated as current assets divided by the current liability. The result shows the liquidity position of the firm.

To high current ratio indicates the firms holding of excessive current asset? To low current ratio indicates poor ability to satisfy current obligation or liability. A current ratio of 2.0 is occasionally cited as acceptable but, a value depends on the industry in which the firm operates reference. (Financial management I. M Pandey, 2005).

Current ratio measures short-term solvency of the firm. High ratio indicates good liquidity position, increase in current liabilities faster than current assets indicates to the firm a bad liquid position that means the firm unable to meet its liability when comes due.

Quick ratio is also called acid-test ratio, it is the strength test of liquidity, it is calculated by dividing the firms current asset minus inventories by current liabilities;

Quick ratio= $\frac{\text{Current asset}-\text{Inventory}}{\text{Current liabilities}}$

A quick of 1.0 or greater is occasionally recommended, but an acceptable value depends largely on the industry.

Excessive liquidity reduces a firm's risk of being unable to satisfy short-term obligation as they come due, but sacrifices profitability, because;

- I. Current assets are less profitable than fixed assets and
- II. Current liabilities are less expensive financing sources than long-term funds. Quick ratio measures the ability to pay of its short-term obligation with out relying on the sale of inventory. The higher ratio, the higher the firm's liquidity position.

2.1.3. Current asset management

This is also another important concept in working capital management. The technique of current asset management includes: Technique of cash management, receivable management, marketable security management, inventory management and source of financing them. Two major objective of current asset management.

- I. Being to minimize cash operating cycle, and
- II. Being to finance those assets as effectively as possible with the over all objective of optimizing the return on total capital employed.

2.1.3.1 Cash management technique

Cash is ready currency to which all liquid assets can be reduced; cash balances are significantly influenced by firm's production and sales. Techniques and by its procedures for collect sales receipt and paying for purchases. These influences can be better understand through analysis of the firms operating and cash conversion cycle (ccc).

2.1.3.1.1 Operating cycle

Operating cycles the amount of time that elapse from the points when the firm begin to build the inventory to the point when cash is collected from the sale of the resulting finished product. The cycle is made up of two components the average age of inventory (ABI), and the average collection period of ales. The firm operating cycle (OC) is the sum of average age of inventory (AAI) and the average collection period (APC).

$$OC = AAI + ACP$$

Average age of inventory is the length of the time require to produce and sale the product.

$$AAI = \frac{\text{Average Inventory}}{\text{Cost of sales}/365 \text{ days}}$$

The average collection period (ACP) represents the length of time required to collect the sales of recipes.

$$ACP = \frac{\text{Account receivables}}{(\text{Annual credit sales})/365}$$

2.1.3.1.2 Cash conversion cycle (ccc)

The cash conversion cycle represents the amount of time the firms which is tied up between payment for production input and receipt of payment from the sale of the resulting fished products. It is calculated as by the number of days in the firms operating cycle minus the average payment period for inputs to production. Cash conversion cycle= operating cycle- Average payment period (ccc=oc-APP).

Average payment period (APP) is the length of time the firm is able to different payment on its various resource purchase.

Ideally, the firm like to have a negative cash conversion cycle, means the average payment period exceeds the averages of inventory plus the average collection period. In contrast the manufacturing. Firms will usually not have negative cash conversation unless they extend their average payment period on unreasonable length of time. But a firm needs to pursue strategies to minimize it not causing harm to the company in form of lost sales or in ability to purchase on credit. The basic strategies that should be employed by the firm to manage cash conversion cycle are:-

Turn over inventory as quickly as possible avoiding stock outs that might result in loss of sale

Collects accounts receivable as quickly as possible not losing future sale because of high pressure collection technique.

Pay accounts payable as late as possible not damaging the firm's credit rate. (James C. Van Horne, 1998). And (Bodil Dickinson B.J campsey Eugene F. Briahm, 1997).

2.1.3.2 Management of marketable securities

Marketable securities are short term interest earning. Money market instrument used by the firm to obtain a return on temporarily idle fund. When fund are being hold for other than immediate transaction purpose (cash) they should be converted from cash to interest bearing marketable securities from return point up to upper limits is achieved.

Under normal conditions, the longer the maturity period of securities, the higher they yield.

A wide variety securities, differing in terms of default risk; interest rate risk, liquidity risk, inflation risk and expected rate of return available to firm that choice to hold marketable securities (Fundamental of financial management. Theory and practice Brightam, Ehrardt, 2002).

2.1.3.3 Management of Account Receivables

Account receivables represent the extension of credit by which the firm gives to its customers. The extensions of credit to customers by most manufactures are a cost of doing business. By keeping its money keep in account receivable, the firm loses time value of money and runs the risk of no payment by its customers.

The level of account receivable should not be judged too high or too low based on historical standards of industry norms, but the test should be whether the level of return we are able to earn from this asset equal or exceeds the potential gain from other investments. We must ask whether we are optimizing our return in light of appropriate risk and liquidity consideration.

Generally, the firm's financial manager directly controls account receivable through involvement in the establishment and management of

- Credit policy
- Collection policy

Credit policy is the determination of credit selection, credit standards and credit-terms. Credit selection is the decision to extend to credit to customer and how much credit to extended.

The collection policy should consider the both firm's had debt because of extended collection period and the customers of the firm. It is bad for the firm extended collection period, but preferable by customers of the firm. Therefore, the collection period has to consider both the firm's and its customer interest. Too high and too low collection period is not acceptable to be both online kept.

2.1.3.4 Inventory Management

In manufacturing company, inventory is usually divided in to three basic categories: raw material, work in process (partially finished good) and fully finished good. (This is ready for sale) All these forms of inventory need to be financed, and their efficient management can increase the firm's profitability.

In developing inventory managing techniques we must evaluate two costs associated with inventory, the carrying cost and ordering cost. Carrying cost includes interests on funds tied up in inventory and cost of ware house space, insurance premium and materials handling expenses. There is also implicit cost associated with the danger of obsolescence or profitability and price changes. The large the order, we placed the greater average inventory we will have on hand and the higher carrying cost.

Ordering costs if we maintain relatively low average inventory in stock we must order many times and total ordering costs will be higher. As the order size increases, carrying cost go up because have more inventory on hand.

Economic ordering quantity the most advantageous amount for the firm to order each time mathematically it can be determined as

$$EOQ = \sqrt{\frac{2xSxO}{C}} \quad \text{Where S= Total sales in unit}$$

O = Ordering cost for each order

C = Carrying per unit in dollar

(Bodil dickinion B.J Campsey Eugene (F. Birahm, 1997).

2.2. Empirical Studies

Many researchers have studies working capital from different views and in different environment. It is the following.

According to (Eljelly, 2004) indicated that efficient liquidity management involves planning and controlling, current assets and current liabilities in such a manner they eliminates the inability to meet due short term obligation and a voids excessive investment in these asset. The relation between profitability and liquidity was examined as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock companies in save; Sud Arabia

using correlation and regression analysis. The study found the cash conversion cycle was more important as a measure of liquidity than current ratio that affects profit ability. The size variable was found to have significant effect on profitability at the industrial level. The results were stable and have important implications for liquidity management in various saved; companies. First it was clear that there was a negative relationship between profitability and liquidity indicators such as current ratio and cash gap in the saved; sample. Second, the study also revealed that there was great variation among industries with respect to the significant measure of liquidity.

(DeLoof, 2003) discussed that most firms had a low amount of cash in working capital. It can therefore be expected that the way in which working capital is managed will have a significant impact on profitability of these firms using correlation and regression tests. The researcher found a significant negative relationship between gross operating income and number of days account receivables, inventories and account payable of Belgian firms. On the basis of their results he suggests that managers could create value for their shareholders by reducing the number of days account receivables and inventories to a reasonable minimum. The negative relationship between account payable and profitability is consistent with the view that less profitable firms wait longer to pay the bills.

2.2.1 Need for working capital

The need for working capital to run the day-to-day business activities cannot be overemphasized. We will hardly find a business firm which does not require any amount of working capital. Indeed, firms differ in their requirements of the working capital. We know that a firm should aim at maximizing the wealth of its shareholders. In its endeavour to do so, a firm should aim at maximizing its return for its operations. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current assets for generating sales. Current assets are needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash.

(Financial Management I.M Pandey. 8th edition)

2.2.2 Balanced working capital position

The firm should maintain a sound working capital position. It should have adequate working capital to run its business operations. Both excessive as well as inadequate working capital positions are dangerous from the firm's point of view.

Excessive working capital means idle funds which earn no profits for the firm. Paucity of working capital not only impairs the firm's profits ability but also results in prevention interruption and inefficiencies.

The dangers of excessive working capital and as follows:-

- ✓ It results in unnecessary accumulation of inventories thus, chances of inventory mishandling, waste, theft and losses increase.
- ✓ Excessive working capital makes management complacent which degenerates into managerial inefficiency.
- ✓ Tendencies of accumulating inventories tend to make speculative profits grow. This may tend to make dividend policy liberal and difficult to cope with in future when the firm is unable to make superlative profits.
- ✓ Fixed assets are not efficiently utilized for the lack working capital funds. Thus, the firm's profitability would deteriorate.
- ✓ Operating inefficiencies creep in when it becomes difficult even to meet day – to day commitments.
- ✓ Paucity of working capital funds render the firm unable to avail attractive credit opportunities etc.

2.2.3 Determinates of working capital

There is no set pattern or formulae to determine the working capital requirements of firms. A large number of factors, each having a different importance influence working capital needs of firms. Also, the importance of factors changes for a firm overtime. Therefore, an analysis of relevant factors should be made in order to determine total investment in working capital. The following is the description of factors which generally influence the working capital requirements of the firms.

1. Nature of Business

Working capital requirements of a firm basically influenced by the nature of its business. Trading and financial firms have a very small investment in fixed assets, but require a large sum of money to be invested in working capital. Retail stores, for example, must carry large stocks of a variety of goods to satisfy varied and continuing demands of their customers. Some manufacturing business, such as tobacco manufacturers and construction firms, also have invest substantially in working capital and a nominal amount in fixed assets. Public utilities have a very limited need for working capital & have to invest abundantly in fixed assets. Their working capital requirements are nominal because they may have only cash sales and supply services, not products.

Working capital requires most of the manufacturing concerns to fall between the two extreme requirements of trading firms and public utilities, such concerns have to make adequate investment in current assets depending upon the total assets structure & other variables.

2. Sales and demand condition

The working capital needs of a firm are related to its sales. It is difficult to precisely determine the relationship between volumes of sales and working capital needs. In practice, current assets will have to be employed before growth takes place. It is, therefore, necessary to make advance planning of working capital for a growing firm on continuous basis.

A growing firm may need to invest funds in fixed asset in order to sustain its growing production and sales.

Sales depend on demand conditions. Most of the firms experience seasonal and cyclical fluctuations in the demand for their products and services. Their business variations affect the working capital requirement, specially the temporary working capital requirements of the firm. When there is an upward swing in the economy, sales will increase; correspondingly, the firm's inventories and debtors will also increase. Under boom, additional investment in fixed assets may be made by some firms to increase their productive capacity this act of firms will require further additions of working capital.

3. Credit policy

The credit policy of the firm affects the working capital by influencing the level of debtors. The credit terms to be granted to customers may depend up on the norms of the industry to which the firm belongs. But affirm has the flexibility of shaping its credit policy within the constraint of industry norms & practice.

The firm should use discretion in granting credit terms to its customers. Depending up on the individual case, different terms may be given to different customers. A liberal credit policy, without rating the credit-worthiness of customers, will be determine to the firm and will create a problem of collecting funds later on. A high collection period will mean tie-up of large funds in book debts, slack collection procedures can increase the chance of bad debits.

In order to ensure that unnecessary funds are not tied up debtors, the firm should follow a rationalized credit policy based on the credit standing of customers and other relevant factors. The firm should evaluate the credit standing of new customers and periodic any review the credit worthiness of the existing customers.

The case of delayed payments should be thoroughly investigates.

4. Availability of credit

The working capital requirements of affirm are also affected by credit terms granted by its creditors.

A firm will need less working capital if liberal credit terms available to it. Similarity, a firm, which can get bank credit easily an favorable conditions, will operate with less working capital than a firm without such a facility.

5. Operating Efficiency

The operating efficiency of the firm relates to the optimum utilization of resources at minimum costs. The firm will be affectively contributing in keeping the working capital investment at a lower level if it is efficient in controlling operating costs and utilsing current assets. The use of working capital is improved and place of cash conversion cycle is accelerated with operating efficiency. Better utilization of resources improves profitability and, thus, helps in releasing the pressure on working capital. Although it may not be possible for a firm to control prices of materials or wages of labour, it can certainly ensure efficient use of its materials, labour and other resources.

6. Price level changes

The increasing shifts in price level make functions of financial manager difficult. He should anticipate the effect of price level changes on working capital requirements of the firm. Generally, rising price levels will require a firm to maintain higher amount of working capital. Some levels working current assets will need higher investment when prices are increasing. However, companies which can immediate rise levels will not face a severe working capital problem. Further, effects of increasing general price level will be felt differently by with firms as individual prices may move differently. It is impossible that some companies may not be affected by rising prices others may be badly hit by it. Thus, effect of rising prices will be different for different companies. Some will face no working capital problem, while working capital problems of others may be aggravated.

2.2.4 Issues in working capital Management

Working capital management refers to the administration of all aspects of current assets, namely cash, marketable securities, debtors and (stock) inventions and current liabilities. The financial manager must determine levels and composition of current assets. He must see that right sources are tapped to finance current assets, and many current liabilities are paid in time.

There are many aspects of working capital management which it make it an important function of the financial manager.

- ✓ Time working capital management requires much of the financial manager's time.
- ✓ Investment working capital represents a large portion of the total investment in assets.
- ✓ Criticality working capital management has great significance for all firms but it is very critical for small firms.
- ✓ Growth the need for working capital is directly related to the firm's growth.

Working capital management is critical for all firms, but partially for small firms. A small firm may not have much investment in fixed assets, but it has to invest in current assets, small firms in India face a severe problem of collecting their debtors (book debts or receivables). Further, the role of current liabilities in financing current assets is for more significant in case of small firms, as unlike large firms, they face difficulties in raising long-term finances.

There is direct relationship between affirms growth and its working capital needs. As sales grow, the firm needs to invest more in inventories and debtors. There needs become very frequent and fast when sales grow continuously. The financial manger should be aware of such needs and finance them quickly. Continues growth in sales may also require additional investment in fixed assets.

It may, thus, be concluded that all relations' should be taken for the effective and efficient management of working capital. The finance manger should pay particular attention to the levels of current assets & the financing of current assets.(Financial Management, I.M Pandey. 8th edition)

2.2.5 Estimation Working Capital needs

The most appropriate method of calculating the working needs of a firm is the concept of operating cycle. However, a number of other methods may be used to determine working capital needs in practice. We shall illustrate here three approaches which have been success fully applied in practice:

- Current assets holding period- To estimate working capital requirements on the basis of average holding period of current assets & relation them to costs based on the company's experience in the previous year. This method is essentially based on the operating cycle concept.
- Ratio of Sales – To estimate working capital requirements as a ratio of sales on the assumption that current assets change with sales.
- Ratio of Fixed investment – To estimate working capital requirement as a percentage of fixed investment.

2.2.6 Source of Finance

A firm can adopt different financing policies vis' – a-vis' current assets.

Three types of financing may be distinguished:

1. Long – term financing – The source of long-term financing include ordinary share capital. Preference share capital, debentures, long-term borrowings from financial institutions and reserves and surplus (retained earnings)

2. Short – term Financing – The short term financing is obtained for a period, less than one year. It is arranged in advance from banks and other suppliers of short –term finance in the money market. Short-term finance is derived from working capital funds from banks, public deposits, commercial paper, factoring of receivable etc.

3. Spontaneous Financing - Spontaneous financing refers to the automatic sources of short term funds arising in the normal course of a business. Trade (suppliers’) credit and outstanding expenses are examples of spontaneous financing.

There is no explicit cost of spontaneous financing. A firm is expected to utilize these source of finance to fullest extent. The real choice of financing current assets, once the spontaneous source of financing have been fully utilized, is between the long-term and short –term source of finances.

Depending on the mix of short-term and long –term financing, the approach followed by a company may be referred as:-

- Matching approach
- Conservative approach
- Aggressive approach

2.2.7 Matching approaches

The firm can adopt a financial plan which matches the expected life assets with the expected life of the source of funds raised to finance assets. Thus, a ten year loan may be raised to finance a plant with an expected life of ten years; stock of goods to be sold in thirty days may be financed with a thirty –day commercial paper or a bank loan. The justification for the exact matching is that, since the purpose of financing is to pay assets, the source of financing & the asset should be relinquished simultaneously. Using long-term financing for short –term assets is expensive as funds will not be utilized for the full period. Similarly, financing long-term assets with short-term financing is costly as well as inconvenient as arraignment for the new short term financing will have to be made on a continuing basis.

When the firm follows matching approach (also known as hedging approach), long term financing will be used to finance fixed assets and permanent current assets and short –term to finance temporary or variable current assets. However, it should be realized that exact matching is not possible because of uncertainty about the expected lives of assets.

Conservative approach

A firm in practice may adopt a conservative approach in financing its current and fixed assets. The financing policy of the firm is said to be conservative when it depends more on long-term funds for financing needs. Under a conservative plan, the firm finances its permanent assets and also a part of temporary current assets with long-term financing. The periods when the firm has no need for temporary current assets. The idle long-term funds can be invested in the tradable securities to conserve liquidity. The conservative plan relies heavily on long-term financing and, therefore, the firm has less risk of facing the problem of shortage of funds.

Aggressive approach

A firm may be aggressive in financing its assets. An aggressive policy is said to be followed by the firm when it uses more short-term financing than warranted by the matching plan. Under an aggressive policy, the firm finances a part of its permanent current assets with short-term financing. Some extremely aggressive firms may even finance a part of their fixed assets with short-term financing.

Short-term Vs. Long-term financing: A risk-return Trade-off

A firm should decide whether or not it should use short-term financing. If short-term financing has to be used, the firm must determine its position in total financing. This decision of the firm will be guided by the risk-return trade-off.

Short-term financing may be preferred over long-term financing for two reasons.

- i. The cost advantage and
- ii. Flexibility, but short term financing is more risky than long-term financing.

CHAPTER THREE

3. Research Methodology

3.1, Introduction

Designing appropriate research methodology is a prerequisite in order to conduct a good Research work. Accordingly, this chapter focuses about the methodology by which the researcher used to conduct this study. Thus, research design, research approaches, source of data and data collection method ,target population and sample design, method of data analysis are presented below respectively.

3.2 Research Design

Burns and Grove (2003) defined a research design as a ' blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings'. Paratoo (1997) described a research design as a ' plan that describes how, when and where data are to be collected and analyzed'. Polite et al (2001) defined a research as ' the researchers overall for answering the research question. Therefore to conduct this study, the researcher use descriptive research design method. Reason for this selection of descriptive research approach is because it helps to describe the existing condition as it is and it is mostly preferable for studies conducted in the area of business

3.3 Research Approaches

Under this study the researchers take both quantitative and qualitative methods. Quantitative method helps the researchers to use statistical measure in order to analyze what were be found through the study by distributing questionnaires. Qualitative method was help the researchers to interpret theoretically the collect data.

3.4. Source of Data and collection method

The required information concerning working capital management was gathered using both primary and secondary data sources. Primary data was collected by developing questionnaires and interview to selected group of employee based on their department's position and occupation. The secondary data was collected from published financial statements and other published documents.

3.5. Target population and sample design

The target population in yekabdi agro processing private limited company (WOW) is 140 employees (source human resources department, 2019). The researcher has selected respondents of 14% of total population by using random sampling techniques (around 20 employees). Because to get valuable information, to reduce idea duplication and it is enough to get data about the organization.

3.6. Method of data presentation

The analyzed data was presented by using different techniques such as: percentage, table, and ratio. This is mainly due to the source of data affect the use of different techniques. Therefore, for both primary and secondary source of data different techniques were used to give more accurate and meaning full information.

3.7. Data Analysis Techniques

After necessary primary and secondary data were collected, the most important activities of data analysis was started by editing and classifying the collected data in to more meaningful and relevant information ,so that the general analysis of data was facilitated and relevant information are analyzed through descriptive method. Apart from descriptive method, the research result complied in the form of table, percentage, ratio and others methods to describe working capital management in yekabdi agro processing private limited company(Wow). Finally the analyses data was be present in the understandable manner to draw the conclusion and interpretation and forward a recommendation.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

The result and discussions are based up on the analysis of three years financial statements of yekabdi agro processing private limited company. The following are the results and interpretation of data collected from both questionnaire and documentary evidences.

4.1. Personal Attributes of Respondents

Table 1 Personal attributes of respondents

Respondents		N ^o	% age
Age	18-25	2	22
	26-40	2	22
	41-60	5	56
	Total	9	100
Sex	Male	6	67
	Female	3	33
	Total	9	100
Educational level	Degree	2	22
	Diploma	2	22
	Certificate	5	56
	Total	9	100
Experience	< 5 year	2	22
	5-8 year	4	44
	10-15	3	34
	Total	9	100

Source: questionnaire

As it presented in the above table most of the respondents, five (56%) are in between 41-60, two (22%) of them are below 26-40 and the rest, two (22%) respondents are below 26 years. This result shows that unless the organization can hire employees, above half of its workers are going to be retire in the near future.

As the above table shows, among respondents there are three females and six males and their percentages are 33% and 67% respectively. Regarding to their educational status less than five or 22% of diploma holders and less than two or 56% are certificate holders and there is two or 22% degree holder. Finally, to experience of job two or 22% of respondents have less than five year it have experience by working different organization.

4.2 Working Capital Issue

Table-2 Working capital issue

N ^o	Statement	No of Respondents	% age of Respondents	
1	How do you control your working capital?	Using working capital ratio analysis	–	
		Using cash operating cycle	–	
		Just on time system	–	
		Others	9	100
		Total	9	100
2	Do you reserve a desired minimum cash balance?	Yes	9	100
		No		
		Total	100	100
3	If there is a cash deficit how does the factory overcome (finance) it?	Short-term borrowing	5	56
		Use trade credit	4	44
		Other		
		Total	9	100

Source: questionnaire

As it is presented in the table above for the statement asked about how the company controls its working capital, all (100%) of the respondents responded that as the company reserve a minimum cash balance to manage its working capital. As one can see from number 2 of the above table all (100%) of the respondents said yes. This result shows that as the company places cash for short-term financing needs.

Regarding the statement asked how the company finance itself at the time of cash deficit, above half five (56%) of the respondents answered as the company finance itself using short-term borrowing. The remaining four (44%) respondents responded as the company finance itself by trade credit. This result shows as the company major finance source is borrowing followed by trade credit.

4.3 Organizational issues related to Working capital

Table-3 Organizational issues related to Working capital

N ^o	Statement	N ^o of respondents	% age of respondents	
1	When the yekabdi agro processing plc working capital requirement reach maximum?	During inflation	9	100
		During growth	-	-
		During operating efficiency	-	-
		Total	9	100
2	Does the company face with liquidity problems so far (risk of unable to pay short-term obligation)	Yes	9	100
		No	-	-
		Total	9	100
3	Does the yekabdi agro processing plc offer credit	Yes	-	-
		No	9	100
		Total	9	100
4	Is yekabdi agro processing plc profitable?	Yes	-	-
		No	9	100
		Total	9	100

Source: questionnaire

As one can understand from the above table number 1 about working capital requirement all of the respondents respond that the working capital requirement of the company is highest during inflation. This is because the price of inputs is high at the time of inflation and the company is needed to have a lot of money. Regarding liquidity problem it is presented that the company

have faced with liquidity problem in the past. In number 3 of the above table it is presented that as the company does not offer a credit sale. This problem has a negative impact on the company sale. This is because it does not attract customers who have cash deficit. As it indicated in the table above the company is not profitable.

4.4 Liquidity Measures

Liquidity position of factory is shown using different liquidity ratios which are useful to judge a company's ability to meet short-term obligations. The following basic liquidity measures are used to compare financial position of yekabdi agro processing plc for past three years balance sheet it used as source of data.

4.4.1 Net working Capital

Net working capital is one of the most commonly cited financial ratios to meet firm's short-term obligation, which is denoted as current assets minus current liabilities and it expresses the difference between the two. *Networking capital = current asset – Current liability*

Table-4 Net working capital

Year	2009	2010	2011
Current Asset (CA)	37,215,301	39,245,540	74,545,855
Current liability (CL)	11,281,001	64,556,080	67,538,887
CA – CL	25,934.300	-25,310,540	7,006,968

Source: Balance sheet from year (2009 – 2011)

As above table shows the company's networking capital for years 2009 and 2011 were positive, 2010 was negative. Positive networking capital shows that current asset is greater than current liability. But the negative show current asset is less than current liability. From this researcher concluded that in the two year (2009 and 2011) greater margin by which the company's current assets cover its short-term obligation, the better able it to pay its debt as they come due in generally the company has been showing good position in meeting its current liability. In one year (2010) the company does not cover obligation because $CA < CL$. generally, current asset and liability have been increasing by different amount by using the same rate for year, current asset was decreased from 2009 to 2011, current liability was increased in 2010.

4.4.2 Current Ratio

Current ratio is one of the most commonly cited financial ratios to meet the firm's short-term obligations when and as they fall due or at maturity. It expresses the relationship between the firm's current assets to current liability.

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liability}}$$

Then, it can be interpreted as, for one birr of current liability as if how much the companies birr could able to present from its current asset. (Financial management I.M pandey, 2005)

Table-5 Current ratio

Year	2009	2010	2011
Current assets (CA)	37,215,301	39,245,540	74,545,855
Current liability (CL)	11,281,001	64,556,080	67,538,887
$\frac{CA}{CL}$	3.39	0.618	1.103

Source: Balance sheet of (2009-2011)

The greater margin by which firm's current assets covers its short-term obligation, the better able it will be to pay bills as they come due. In general the liquidity position of firm is relatively better. However, when we compare last 2009 with those of two succeeding years was better. The liquidity position of a firm has been slightly decreasing.

4.4.3 Quick Ratio

This ratio is more accurate guide to liquidity and it is the same as current ratio except that it excludes inventory which is least liquid asset. (Financial management I.M Pandey, 2005)

$$\text{Quick ratio} = \frac{\text{Current asset} - \text{Inventory (CA-I)}}{\text{Current liability}}$$

Table-6 Quick (acid test) ratio

Year	2009	2010	2011
CA – Inventory	37215301	37727506	74545855
Current liability	11281001	64556080	67538887
Quick ratio	0.33	0.58	1.103

Source: Balance sheet from year (2009-2011)

The quick or acid test ratio of 1.0 or greater is occasionally recommended, but as with current ratio an acceptable value depends largely on the industry, this ratio provides a better measure of liquidity when a firm's inventory is easily converted in to cash. Inventories are typically the least liquid of firms current assets, thus they are the assets on which losses are most likely to occur in the event of liquidation. Therefore, a measure of firm's ability to pay off short-term obligation with no less relying on the sale of inventory is important.

From general over view of the above note it was seen that the quick ratio of the firm was without 2009 and 2010 above table it can able to pay off its creditors in time due to small proportion of stock in current assets. But in 2009 and 2010 there was a large part of current asset of the firm which is tied up in slow-moving and not saleable inventories and slow paying debts. Therefore, less liquidity assets than current liabilities makes the firm's financial position concern shall be demand to be not sound or defective.

4.5. Profitability and risk trade off

The effect of changing the levels of the company's current assets on its profitability and risk trade off can be demonstrated by using the ratio of current assets (CA) to total asset (TA)

Table-7 Ratio of CA to TA

Year	2009	2010	2011
CA	37215301	39245540	74545855
TA	125478490	136538762	175599214
CA/TA	0.297	0.2987	0.425

Source: Balance sheet of from (2009-2011)

As above table indicates, the ratio of current asset to total asset is increasing Via out the given trend. This shows the amount of fixed asset of the firm has been declining from 2010-2011period; therefore, the profitability of the company has been also decrease relatively by the same amount. This is mainly due to fixed asset is more profitable than current asset, usually, the current asset increases while the fixed asset decreases or remain a constant. Then, CA to TA ratio

increases, but profitability decreases. As above result shows, the amount of fixed asset of the firm is less in 2011 and this implies that the company become less profitable, due to current asset less profitable than fixed assets that contributes a lot to generate revenue. The risk effect decreased as the ratio CA to TA increase because the risk and profitability are directly proportionate.

Table-8. Ratio of current liability (CL) to total asset (TA)

Year	2009	2010	2011
CL	11,281,001	64,556,080	67,538,887
TA	125478490	136538762	175599214
CL/TA	0.09	0.47	0.38

Source: Balance sheet of from year (2009-2011)

Based on the above table the effect of changing the level of factory's current liabilities on its profitability and risk trade off can be demonstrated. When the ratio of current liability to total asset decreases the profitability and risk are also decrease. The ratio of CL to TA of the company which was under study is increasing from 2009-2010 but decrease in 2011. So, the profitability and risk trade off also increase in 2009 and 2010 the same manner, this is because the firm may uses more of less expensive current liabilities and short-term financing.

4.6 Cash Management

A company needs cash to carry day to day activities of the business. Company's level of operation affects working capital requirement, it affects the need for cash.

Table-9 Cash and Sale figures

Year	2009	2010	2011
Cash balance	23259	2637538	3967949
Total Sale	0	69499232	127901878

Source: Balance sheet and Income statement of (2009-2011)

If the volume of sale increase, cash will be received from customers and expanded for materials and wages in large amount, as shown in the table 9 above the sale from year 2009 – 2011 has been increasing to cover the transaction needs. Therefore, the company's ability to pay its bills would have been increasing meaning the company improving its cash management from the year 2009– 2011.

based on this it is simply to conclude that as a result of increase in sale from year to year and increase in cash balance from year to year the company has moderate cash management, but not poor and good this means it is moderate.

4.6.1, Inventory Management

The management of inventory has an impact of the cash cycle of the company. Poor inventor management will results in an illiquid company that must continually borrow in order to have enough operating cash on hand. Inventory ratio measures how quickly the inventory is sold. It is the test of efficient inventory managements.

$$\text{Inventory} = \frac{\text{Cost of goods sold (CGs)}}{\text{Average inventory (AV, Inv)}}$$

$$\text{Avg. Inventory} = \frac{\text{Beginning balance} + \text{Ending balance}}{2}$$

Table-10 Inventory turnover ratio

Year	2009	2010	2011
Cost of good sold	7501100	5190840	5944670
AV. INV	8482431	7634000	9129000
Inv. ratio	0.08843	0.67996	0.6512

Source: Balance sheet and I/statement of year (2009-2011)

Low ratio of inventory shows that the company is incurring high costs from over stocking finished goods at the same time the company is carrying obsolete goods in its inventory. In the above table 10 the company is on the way of improving its inventory ratio by increasing from year to year. As a show in the above the company's incurring cost is being increased relatively. at the same time by increasing sale.

CHAPTER FIVE

5. Conclusion and Recommendation

5.1 Conclusion

The researchers have discussed working capital management of Yekabdi agro processing private limited company (WOW) which aims to maximize its profit. So as to achieve such objective, management of working capital is very important. Working capital is clearly one of the most important elements in ever companies operation, proper implementation and management of it essential for firms to meet its main targets or objectives. It also very useful for the countries where lending institutions and the culture at financial market are not yet developed. Therefore efficient and effective way working capital management system is essential for those companies of operating in a country that has undeveloped financial intermediaries to bring better economic growth so this efficient and effective implementation of socio economic model of companies police's leads to rapid economic growth and better management over working capital of the firm.

Companies may incur losses due to in efficient utilization of productive capacity. This has lead to slow and in adequate rate of economic growth in the companies. A Well judged working capital and efficient utilization ensures better productive capacity, good profitability and sound liquidity of company's financial performance, which are required on the part of the companies to earn sufficient surplus for their growth and to maintain continuous capability in meeting its current financial obligations, the present competitive and environmental change. The importance of efficient working capital is indispensable moreover; adequate working capital management practice is essential as it has a direct impact on the overall performance of the firm.

The overall liquidity position of the firm using ratio analyze in chapter four indicated that WOW had not well in the study year .this means that the firm had no better current ratio, below the ideal and no over general standards of quick ratio and no enough cash to cover its liability using its cash asset so the firm had no better liquidity performance in general.

The performance of working capital operation of the firm using its current asset movement or activity ratio fluctuated between better and poor performance over them, this means that the firm

had better performance over some activities and low over some other. In another word the firm had low performance in inventory management (inventor turnover ratio),poor performance over inventory conversion period ,low average payment period or not in a normal conditions and it maintains less amount of net working capital to generate the target level of sale or poor performance over working capital turnover.

The return on investment of firm or the profitability of WOW was not good profitability margin when the researcher compares the three years performances or 2009, 2010 with 2011 of firm. This means that the profit out of each sales dollar (net profit margin), improving performance and sales volume or gross profit margin, good cost control and sales factory has not increasing faster than cost and good meeting of its current obligation (operating profit margin) and not effectively investing and not efficiently use of its business asset or return on asset (ROA) according to comparison of subscribed years.

The firm not provides credit sale to its customer due to this it faces different problems like, lack of cash to refund its current performance. lack of foreign currency while it import machine from outside for its operation this is the major problem the firm faces and lack of standard inventory count techniques. In another, the products of the firm are sometimes exposed to defect due to lack effective packaging system and some moisture (source: from interview).

5.2 Recommendations

At the end of the research, the researcher forwarded some recommendation as a solution that assumed to reduce identified problems and weakness form the organization. In view of the conclusion the following constructive suggestion and recommendation were made in the hope that the researcher would minimize problem identified in the study area.

- ✓ Managing working capital in effective environment, it makes the company profitable and it is essential to assure future sustainability of the company. Therefore it to be successful; when it is better doing in such areas like operating on inventory management and when it provides credit sale for a company.

- ✓ The company takes more time to collect account receivable this results in shortage of cash. Therefore, the company should minimize time to maintain the balance of cash needed for transactions, besides to meet its current liabilities when comes due.
- ✓ Credit policy of the company has been improving in trend; more or less the company is in position of following strict collection policy. This results in the loose of its customers, because the shorter collection period is more difficult to how compared it with more extended collection period. Therefore the company should consider both its customers and bad debt of receivables if the time is extended. So, the company should use moderate credit policy.
- ✓ Appreciating customer, which pay on time, by giving them a discount and having strict follow up for those customers, which do not pay on time at the same time the institution should train and create awareness on its customers about the time value of money.
- ✓ The overall liquidity performance of WOW was not good in the boundary of the years the researchers had tried to cover. The current ratio, the quick and cash ratio of the firm is not better with reference to conventional rule so it should be keep up the good side and increase its current assets to meet its current obligation more. Therefore, it is better if is able to use external short term financing alternatives and excess internal working capital financing sources use for fixed asset investment.
- ✓ Some performance of working capital operation of Wow was not in normal conditions the firm have to improve over inventory management practice by increasing sales volume and effective management efforts related with short - term financing condition to increase its WC operation , reduce the time to collect its inventory, pays its liability (short term obligations) within shorter period of time as much as possible and increase maintenance of working capital turnover to utilize good marketing condition, favorable business and high level of sales.

Reference

Afza.T and Nazir.m,(2007), it is be aggressive or conservative in manaing ,2007.Bodil dick in son B.J campsey Eugene F. Briahm, 1997.

Burns, SN & Grove, SK. (2003). Understanding nursing research. 3rd edition. Philadelphia: Saunders.

paramasil and T.subramanian,finance management,www.newagepublishers.com Eljely, 2004

Financial management I. M Pandey, 2005

FM I.M Panday. 8th edition.Fundamental of financial management 10th ed.

James C. Van Horne, John. M. (1998).

Lawrence J.Gltman, 5th ed Lawrence J. Gitman (1997) Managerial finance 8th ed.

Parahoo K. Nursing research: principles, process and issues. Basingstoke: Macmillan; 1997.

Polit, D. et al (2001) Essentials of Nursing Research: Methods, Appraisal and Utilization.

Philadelphia, PA: Lippincott.

V.K. Bhalla, (2003), working capital management 5th ed. ANONU Publication New Delhi.

Journal of Business Finance and Accounting, Vol. 30 No. 3 & 4, pp. 573 – 587.

Gitman (1997), Foundation of managerial finance, 2nd edition south western publishing co.

university of south mine.

HoradAverkam(2003),formed of accountings coach.

Huynh.p (2010).The relationship between working capital management and profitability A

Vietnam case, International research journal of finance and economics. Vietnam.

Pandey.Im (2005) financial management, 7th edition, VIK A publishing house PVT LTD.

Pandey.Im (2009) financial management, 8th edition, VIK A publishing house PVT LTD.

Peel, M. J. and Wilson, N. (1996), ‘Working capital and financial management practices in the

small firm sector’, International Small Business Journal, Vol. 14 No. 2, pp. 52-68.

Prof.VinodKumar(2004),post graduated degree in commerce from H.P University.

Srisvastava, S. (2004). Using six sigma methodologies to optimize working capital

Tewedros(2010) effect of management of WC policies on firms profitability.

Truel&Solano(2005) impact of WCM on profitability of Spanish enterprises Spain.

Van Horne JC(200) financial management& policy 11th edition prentice Hall Lin A mon& SC U.

5. Job position?.....

Questionnaires

I. What are the main raw materials of the Factory? -----

II. From where does the factory get them? -----

III.How do you control your working capital?

a. Using working capital ratio analysis

b. Using cash operating cycle

c. Just on time system

d. Other, specify -----

IV.Do you reserve a desired minimum cash balance?

a. Yes

B. No

V. If there is cash deficit how does the factory over come (finance) it?

a. Short term borrowing

b. Use trade credit

c. Other, specify -----

VI.What is the maximum time required for inventory to be stayed in store? -----

7. What factors influence the level of inventory stock being maintained? -----

.....

8. When the yekabdi agro processing private limited company working capital requirement reach maximum?

A. during inflation

B. during growth

9. Does the company face with liquidity problems so far (risk of unable to pay short term obligation)

A. Yes

B. No

10. Does the yekabdi agro processing private limited company offer credit sales?

A. Yes

B. No

11. Is yekabdi agro processing private limited Company profitable?

A. Yes

B. No