# Study (Survey) Of Cash Management Procedure In Small Scale Industries In Nagapattinam

**T. Kowsalya[1], K .Sivasankari[2], A. Edwin Santosh[3] ,C.Umamaheshwari[4]**
[1, 2, 4]Asst.Prof.Dept Dept of Management Studies
[3]Qualty Engineer Chennai Edayathangudy
[1, 2, 4]G.S. Pillay Arts and Science College Nagapattinam

***Abstract***- *The present study concentrates on the working capital position with reference to small scale industries in Nagapattinam. In addition to that study contains the analysis of financial soundness and growth of the firm in the term of liquidity solvency and trend analysis .It helps to take short term financial decision and it indicates the cash requirement needed for plant or equipment expansion programmer's .To find strategies for efficient cash management. It helps to arrange needed funds on the most favorable terms. It helps to meet routine cash requirement to finance the transaction. It reveals the liquidity position of the firm by highlighting the various sources of cash and its uses .The main objective is as to find out the liquidity position of the concern through ratio analysis, analyze the cash management of the company .To study the growth of standard in terms of fund flow statement and cash flow statement to make suggestion and recommendation to improve the cash position of standard.*

## I. INTRODUCTION

Cash is the important current asset for the operations of the business. Cash is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, neither more nor less. Cash shortage will disrupt the firm's manufacturing operations while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Thus, a major function of the financial manager is to maintain a sound cash position.Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheese held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank time's deposits, are also included in cash.The basic characteristic of near-cash assets is that they can readily be converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profit to the firm.

## II. RESEARCH METHODOLOGY

Research is a process in which the researchers wish to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as "A careful investigation or enquiry especially through search for new facts in branch of knowledge".

### 2.1Research Design:

The research design used in this project is Analytical in nature the procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evaluation of the performance.

### 2.2Data Collection:

❖ ***Primary Sources***

1. Data are collected through personal interviews and discussion with Finance-

Executive and Deputy Manager.

❖ ***Secondary Sources***

1. From the annual reports maintained by the company.
2. Data are collected from the company's website.
3. Books and journals pertaining to the topic.

### 2.3 Tools Used In The Analysis:

- Fund flow statement & cash flow statement.
- Trend analysis
- Ratio analysis.

### 2.4. Data Analysis and Interpretation:

**Table No: 4.1: The Current Ratio**

| Year | Current Assets | Current Liability | Current Ratio |
|---|---|---|---|
| 2012-13 | 31,38,630 | 17,25,300 | 1.82 |
| 2013-14 | 39,96,393 | 26,80,200 | 1.49 |
| 2014-15 | 65,44,424 | 37,90,500 | 1.73 |
| 2015-16 | 64,25,930 | 42,87,340 | 1.50 |
| 2016-17 | 52,61,800 | 32,72,540 | 1.61 |

### 4.2 Quick Ratio:

Quick ratio also knows as acid test or liquid ratio established a relationship between quick (or) liquid liabilities. An asset is said to be liquid if it can be converted into within a short period without loss of value. The other liquid assets are bills receivables, such debtors, marketable securities and temporary investments.

$$\text{QUICK RATIO} = \frac{\text{Current Assets-(Stock)}}{\text{Current Liabilities-(Bank Overdraft)}}$$

**The Quick Ratio**

**Table No: 4.1.2**

| Year | Quick Assets | Current Liability | Quick Ratio |
|---|---|---|---|
| 2012-13 | 27,03,330 | 17,25,300 | 1.57 |
| 2013-14 | 34,30,943 | 26,80,200 | 1.28 |
| 2014-15 | 58,73,584 | 37,90,500 | 1.55 |
| 2015-16 | 57,35,730 | 42,87,340 | 1.33 |
| 2016-17 | 45,86,400 | 32,72,540 | 1.40 |

**4.3 Net Profit Ratio:** The Net Profit ratio is found out by dividing Net Profit by Net Sales.

Net Profit Ratio = Net Profit/Net Sales

The financial figures for Net Profit Ratio shown above which is used for the calculation of Net Profit/Net Sales and the result are shown in the following table.

$$\textbf{Net Profit Ratio} = \frac{\textbf{Net Profit}}{\textbf{Net Sales}} \times 100$$

**Table No: 4.3:The Net Profit Ratio:**

| Year | Net Profit | Net Sales | Net Profit Ratio |
|---|---|---|---|
| 2012-13 | 20,07,130 | 1,20,50,700 | 16.655 |
| 2013-14 | 19,71,863 | 1,35,30,900 | 14.573 |
| 2014-15 | 17,04,981 | 1,44,45,760 | 11.802 |
| 2015-16 | 22,22,056 | 1,90,85,940 | 11.642 |
| 2016-17 | 30,40,270 | 2,20,38,100 | 13.795 |

### 4.4 Inventory Turnover Ratio:

Inventory turnover ratio implication the number of times the stock has been turn over during the period and its inventory.

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{Cost of Goods (Sales-Gross Profit)}}{\text{Average Stock/Closing Stock}}$$

**TABLE NO: 4.4: INVENTORY TURNOVER RATIO:**

| Year | Cost of Goods | Average Stock | Inventory Turnover Ratio |
|---|---|---|---|
| 2012-13 | 76,07,056 | 3,37,900 | 22.512 |
| 2013-14 | 95,98,424 | 5,00,375 | 19.182 |
| 2014-15 | 1,05,42,980 | 6,18,145 | 17.055 |
| 2015-16 | 1,46,27,231 | 6,80,520 | 21.494 |
| 2016-17 | 1,66,01,920 | 6,82,800 | 24.314 |

### INTERPRETATION:

The inventory turnover ratio is fluctuating trend. The top most value of the inventory turnover ratio in the year 2013-2014 is 14.50% and lowest inventory turnover ratio in the year 2016-2017 is 17.06.

### DEBTORS TURNOVER RATIO:

Debtor's turnover is found out by dividing sales (since all sales are in credit) by year-end balance of Debtors.

The financial figures for Sales and Debtors used for the calculation of debtor's turnover ratio and the result are shown in the following table.

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Debtors}}$$

| Year | Credit Sales | Debtors | Debtors Turnover Ratio |
|---|---|---|---|
| 2012-13 | 1,20,50,700 | 21,26,500 | 5.667 |
| 2013-14 | 1,35,30,900 | 23,22,660 | 5.825 |
| 2014-15 | 1,44,45,760 | 14,60,700 | 9.889 |
| 2015-16 | 1,90,85,940 | 15,89,646 | 12.006 |
| 2016-17 | 2,20,38,100 | 17,40,550 | 12.661 |

**Table No: 4.5: The Debtors Turnover Ratio**

**Debt-Asset Ratio:**Debt-Asset ratio is found out by dividing Total debt by Assets.

The financial figures for Debt-Asset Ratio shown above which is used for the calculation of Total Debt/Assets and the result are shown in the following table.

$$\text{Debt-Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

| Year | Total Debt | Total Assets | Debt-Asset Ratio |
|---|---|---|---|
| 2012-13 | 21,26,500 | 67,72,630 | 0.313 |
| 2013-14 | 23,22,660 | 97,59,393 | 0.237 |
| 2014-15 | 14,60,700 | 1,25,74,674 | 0.116 |
| 2015-16 | 15,89,646 | 1,53,33,570 | 0.103 |
| 2016-17 | 17,40,550 | 1,73,59,040 | 0.100 |

**Table No: 4.6:Debt-Asset Ratio**

**Fixed Assets Turnover Ratio:** Fixed Assets turnover ratio is found out by dividing sales by fixed asset (Net Block)The financial figures for Sales and Fixed Assets used for the calculation of Fixed Assets turnover ratio and the result are shown in the following table.

$$\text{Fixed Turnover Ratio} = \frac{\text{Sales}}{\text{Fixed Asset (Net Block)}}$$

| Year | Credit Sales | Net Block | Fixed Assets Turnover Ratio |
|---|---|---|---|
| 2012-13 | 1,20,50,700 | 36,34,000 | 3.316 |
| 2013-14 | 1,35,30,900 | 57,63,000 | 2.347 |
| 2014-15 | 1,44,45,760 | 60,30,250 | 2.395 |
| 2015-16 | 1,90,85,940 | 89,07,640 | 2.142 |
| 2016-17 | 2,20,38,100 | 79,97,240 | 2.755 |

**Table No: 4.7: Fixed Assets Turnover Ratio**

**Statement Of Working Capital:**

Working Capital = Current Assets – Current Liabilities

| Year | Sales (Rupees) | Working Capital (Rupees) | Ratio ( Times ) |
|---|---|---|---|
| 2012-13 | 12050700 | 1413330 | 8.526 |
| 2013-14 | 12730900 | 3316193 | 3.839 |
| 2014-15 | 14445760 | 6753924 | 2.138 |
| 2015-16 | 19085940 | 9138590 | 2.088 |
| 2016-17 | 22038100 | 12178860 | 1.809 |

**Table No 4.8: Statement Of Working Capital**

**Current Assets To Fixed Assets Ratio:**

| Year | Sales (Rupees) | Working Capital (Rupees) | Ratio ( Times ) |
|---|---|---|---|
| 2013-14 | 12050700 | 1413330 | 8.526 |
| 2014-15 | 12730900 | 3316193 | 3.839 |
| 2015-16 | 14445760 | 6753924 | 2.138 |
| 2016-17 | 19085940 | 9138590 | 2.088 |
| 2017-18 | 22038100 | 12178860 | 1.809 |

**Table No: 4.9:Current Assets To Fixed Assets Ratio**

**Working Capital to Current Asset Ratio:**

| Year | Working Capital (Rupees) | Current Assets (Rupees) | Ratio ( Times ) |
|---|---|---|---|
| 2013-14 | 16,79,724 | 22,60,324 | 0.743 |
| 2014-15 | 13,50,037 | 19,50,571 | 0.692 |
| 2015-16 | 18,44,130 | 24,44,821 | 0.754 |
| 2016-17 | 18,85,740 | 26,72,840 | 0.705 |
| 2017-18 | 18,39,950 | 26,44,950 | 0.695 |

**Table No: 4.10: Working Capital To Current Asset Ratio**

**Chart No: 4.10: Working Capital to Current Asset Ratios**

**4.11 Trend Analysis:**

$$Y = a + bX$$

$$\text{Where } a = \frac{\sum Y}{n} \quad ; \quad b = \frac{\sum XY}{\sum X^2}$$

**Table No: 4.11Cash / Bank**

| YEAR | X | $X^2$ | Cash / Bank (Rs )Y | XY (Rs) |
|---|---|---|---|---|
| 2013-14 | -2 | 4 | 1319224 | -2638448 |
| 2014-15 | -1 | 1 | 384335 | -384335 |
| 2015-16 | 0 | 0 | 505632 | 0 |
| 2016-17 | 1 | 1 | 805350 | 805350 |
| 2017-18 | 2 | 4 | 645250 | 1290500 |
| TOTAL | 5 | 10 | 3659791 | -926933 |

$$a = 3659791 / 5 = 731958.2$$

$$b = 926933 / 10 = 92693.3$$

***Cash/Bank value in 2017-18 will be about 731958.2.***

**Table 4.12: Inventories**

| Year | X | $X^2$ | Inventories (Rs )Y | XY (Rs) |
|---|---|---|---|---|
| 2013-14 | -2 | 4 | 1,20,500 | -2,41,000 |
| 2014-15 | -1 | 1 | 1,80,550 | -1,80,550 |
| 2015-16 | 0 | 0 | 2,01,560 | 0 |
| 2016-17 | 1 | 1 | 2,51,560 | 2,51,560 |
| 2017-18 | 2 | 4 | 2,86,000 | 5,72,000 |
| TOTAL | 5 | 10 | 10,40,170 | 4,02,010 |

**Table 4.12: Inventories**

**a = 1040170/5**

**= 208034**

**b = 402010/10**

**= 10201.0**

***Inventories value in 2017-18 will be about 208034***

### 4.13 Cash Budgeting:

A firm is well advised to hold adequate cash balance but should avoid excessive balances. The firm has, therefore, to assess its need for cash properly. The cash budget is probably the most important tool in cash management. It is device to help a firm to plan and control the use of cash. It is a statement showing the estimated cash inflows and cash outflows over the planning horizon. In the other words, the net cash position of a firm as it moves from one budgeting sub period to another is highlighted by the cash budget.

## III. CONCLUSION

The study is conducted at **Nagapattinam by survey** with the title of a study on Cash management. This study was conducted mainly with help of secondary data obtained from the unit.The companies should use the minimum investment in inventory to organize it profitability. Whether the company may invest large size of inventory to the concern . The efficient and production levels are decreased. So the concern should maintain the maximum investment in inventory. The company able to achieve the Cash management objectives in proper way. The cash position of the company has not been properly maintained. So the company has to make an effort to reduce the expenses and also cash to current assets ratio.Company can utilize their assets properly.Modernizedequipments can purchase.From current ratio, overall ratio was above the accepted norms of 0.5. So the company has to reduce the overall ratio avoid the unnecessary cash kept in ideal.Company can properly maintain their debtors to sales turnover ratio.A Working capital ratio has been maintained below the norms.A management may take necessary steps to employee more members of staff considering the burden of work load. Advertisement publicity should be given so as to make awareness to the public .The company must motivate the respective employees to get best efforts out of them .The company has to raise the long term investment and utilize the current assets.

## REFERENCE


[1] M.Y.Khan and p. k. Jain, financial management, third edition, Tata McGraw Hill Publishing Company Limited, ,NEW Delhi, 2001.

[2] P.V. Kulkarni, and B.G. Sathyaprasad, financial management, Ninth edition, Himalaya publishing House, New Delhi, 2001.

[3] S. N. Maheshwari, principles of management accounting, Thirteenth edition, Sultan chand& sons New Delhi, 2002.

[4] Dr. S. N. Maheshwari, financial management, sixth edition, Sultan chand& Sons New Delhi, 2000.

[5] I. M. Pandey, Financial management, eighth edition, Vikas publishing House Pvt.Ltd., New Delhi, 2003.

[6] Prasanna Chandra, Financial management, fourthedition, Tata McGraw- Hill publishing Company Limited, New Delhi, 1999.