A STUDY ON WORKING CAPITAL MANAGEMEN WITH REFERENCE TO KLASSIC MARKETING, NELLORE

1. Mr. I.V.GIRISH KUMAR,
Asst. Professor
Department of MBA
Narayana Engineering College
girishkumar.iv99@gmail.com

2. Y.KAARTHEEK
Department of MBA
Narayana Engineering College
Nellore, Andhra Pradesh
Yadlakaartheek529gmail.com

ABSTRACT:

Financial management is that managerial activity which is concerned with the planning and control of the firm's financial resources. It was a branch of economics till 1890, and as a separate discipline, it is recent origin. Still it has no unique body of knowledge of its own, and draws heavily on economics for its theoretical concepts even today. The subject of financial management is of immense interest to both academicians and practicing manager. It is of great interest to academicians because the subject is still developing, and there are still certain areas where controversies exist for which no unanimous solution has been reached as yet.

The term working capital refers to that portion of an Organizations capital which is required in the short run to finance current assets such as Debtors, Cash balance, Bank balance, Marketable Securities, Bills Receivables and Inventory. The value of these assets keeps changing over a period.

Keywords—current assets, liabilities, ratios and working capital statement .

I. INTRODUCTION

"Working capital required for purchase of raw materials and for meeting day-to-day expenditure on salaries, wages, rents, advertising etc..,

-Shubin

Thus working capital for meeting the need of current operation, the assets constituting working capital are relatively temporary in nature. It is also known as revolving or circulating or fluctuating or short term capital. The nature of working capital is describes with the help of nature of operation cycle of the firm. The process of cash or operation cycle t when firm uses cash to purchase raw materials and pay for the manufacturing costs to produce goods. These goods carried as inventory for some time till they are sold, either cash is received or accounts receivables, are created. Accounts receivables are collected from debtors, this brings cash into the firm. Thus, a cash cycle is complete and a new process of a cash cycle starts over again.

There are two basic concepts of working capital.
They are as follows
Based on Concept
Based on Time
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GROSS CONCEPT
According to this concept, Working capital refers to total investment in current assets such as Cash in Hand, Cash at Bank, Marketable securities, Debtors, Inventory and Bills Receivables. Current assets are the assets which are normally converted into cash within a year. It emphasizes the quantitative aspect.
NET CONCEPT
According to this concept, Working capital refers to the difference between current assets and current liabilities. Current liabilities are obligations which are payable within one year and include creditors, Bills Payable, Bank O/D and Outstanding Expenses. The Net Working Capital can be Positive or Negative. When current assets exceed current liabilities, the net working capital is positive , when current liabilities exceeds current assets the net working capital is negative.

A. DEFINITION

Working capital cycle indicates the length of time between the company's paying for materials, entering in to the stock and receiving the cash from sales of

finished goods. It can be determined by adding the number of days required for each stage in the cycle.
Most businesses cannot finance the operating cycle with accounts payable finance alone.

B. MAJOR OBJECTIVES OF WORKING CAPITAL

- To evaluate working capital management.
- To understand the sources of working capita
- To know the changes in working capital statements

C. THE BASIC FEATURES OF WORKING CAPITAL

- It involves the efficient way of management of different elements of working capital such as Cash, Stock, Accounts receivables and Payables. It should result in determining the optimum level of investment in cash elements of working capital.
- It is like the blood stream in the human body and gives 'operating strength' to a business firm. Without cash, the firm cannot procure resources and supplies need to perform business operations. Without adequate cash, operations of a firm's business come to a standstill. The management of a firm has a responsibility to see that adequate cash at all the times to meet its day-to-day requirement.
- These current assets represent the amount due to the firm because of the scale of an credit in ordinary course of business. It also refers to short-term advances and loans to subsidies and employees, prepaid expenses.
- It is an important as management of accounts receivable. The objective of accounts receivable management is to collect the accounts receivable promptly. On the other hand, the aim in case of accounts payable is to slow down the process of payment. However, the concern should note that unless the creditor is paid in reasonable time, they might not extend credit in future.
- Business firms increase their profitability by investing idle cash in short-term securities that fetch return on investment. Its securities include Shares, Securities, Debentures and Government Bonds of both public ltd companies and financial institutions. They are easily convertible into cash whenever required

D. THE IMPORTANCE OF WORKING CAPITAL AS FOLLOWS

CASH DISCOUNT
Adequate working capital enables a firm to avail cash discount facilities offered to it by the suppliers. The amount of cash discount reduces the cost of purchases.
GOODWILL
Adequate working capital enables a firm to make prompt payment. Making prompt payment is a base to create and maintain goodwill.
ABILITY TO FACE CRISIS
The provision of adequate working capital facilities to meet situations of crisis and emergencies. It enables a business to withstand periods of depression smoothly.
CREDIT- WORTHINESS
It enables a firm to operate its business more effectively because there is no delay in getting loans from banks and others on easy and favorable terms.
LIQUIDITY AND SOLVENCY
A sound system of working capital enables a concern to pay regular dividends to its investors. This gains confidence in the mind of investors and this situation creates a favorable market to raise additional funds in the future.
HIGH MORALE
Adequacy of working capital creates an environment of security, confidence, high morale etc, and creates overall efficiently in business.
EXPANSION MARKETS
A firm, which has adequate working capital, can create favourable market conditions that is so because of purchasing its requirements in bulk when prices are lower and holding its inventories for higher prices. Thus profits are increased.
REGULAR SUPPLY OF RAW MATERIALS
It permits the carrying of inventories at a level that would enable a business to serve satisfactorily the needs of its customers. That is, it ensures regular supply of raw materials and continues production
RESEARCH PROGRAMMES
No research programme, innovation and technical developments are possible to be undertaken without sufficient amount of working capital.

REVIEW OF LITERATURE

A literature review is a text of a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are the secondary resources for a research work.

1. PATRICA LINDELWA MAKONI 2019

"WORKING CAPITAL MANAGEMENT AND ITS FINANCIAL PERFORMANCE: EVIDENCE FROM LISTED FOOD AND BEVERAGE COPMPANIES IN SOUTH AFRICA"

This study aimed to investigate the nexus between working capital management and the financial performance of firms.

The study found a negative relationship between the average collection period (ACP) and profitability. Furthermore, the study found a positive relationship between the average payment period (APP) and profitability. The findings of this article suggest that financial managers of firms need to adopt aggressive working capital management policies in order to create shareholder wealth through enhancing the financial performance of the firm.

T.POOJITH A 2019

"A REVIEW ON WORKING CAPITAL MANAGEMEN T"

The Purpose of this study is to understand efficiency and utilization of working capital in the Kdmpmacu ltd.,Vijayawad a

The literature reveals that working capital is directly affects the profitability and liquidity of the firm and this study concludes that working capital is very much effects to the development of the firm.

NORZALI NA BINTI AHMAD 2019

EFFECTS OF EFFICIENT WORKING CAPITAL MANAGEMNE T & WORKING CAPITAL POLICIES ON FIRM PERFORMAN CE: EVIDENCE FROM MALAYSIAN MANUFACTU RING FIRMS"

This study investigates the effect of efficient working capital management and working capital policies on the performance of manufacturing firms in Malaysia between 2010 and 2016.

The results of the study imply that the manufacturing firms in Malaysia can increase their economic value added by adopting efficient working capital management which is to reduce their cash conversion cycle.

BADER MUSTAFA AL- SHARIF 2019

NET WORKING CAPITAL AND THE PROFITABILIT Y: EMPIRICAL EVIDENCE FORM AMMAN STOCK EXCHANGE

The current study investigates empirically the relationship between the net working capital and the profitability of the industrial companies for the period of 9 years from 2009-2017.

The study recommends that to more attention for investing the net working capital by determining investment opportunities that reflect positively on profitability. Additionally, managers should raise the awareness of their employees regarding the importance of internal and external investment to increase the market share.

PINKU PAUL 2018

"ANALYSIS OF THE EFFECT OF WORKING CAPITAL MANAGEMEN T ON PROFITABILIT Y OF THE FIRM: EVIDENCE FROM INDIAN STEEL INDUSTRY"

To examine the impact of working capital management on profitability of the firms of Indian steel industry.

The result of the study indicates that the impact of working capital management on profitability of the firms of Indian steel industry has been significant