

CHAPTER – I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nepal is an underdeveloped country and land locked country but very beautiful. It is situated in between of two countries. So, 'It is a yam between two stones'. It is a Himalayan Kingdom and having different features as buffer state in the South Asia. It is very greenery so; it is called the Switzerland of the South Asia. On the basis of total area covered, it is 22 times smaller than India and 65 times smaller than China. It lies in the 26°27 north to 30°27 longitudes and 80°04 east to 88°12 east latitudes. It has covered 0.003% in the world and 0.3% in Asia continent. There are low numbers of educated people and development upon agriculture. About 81% of total population is dependent upon agriculture. From this we conclude that only 10% people are engaged in the industrial sector. So, sufficient industries are not established in our country as being under development.

Being poor mountainous and agricultural country, Nepal has faced a lot problem in her economic development. Not a single factor is responsible for the retardation in her path of economic development. Many tremendous causes such as lack of source of finance, transportation, education, socio-economic, mismanagement of government rules and regulation and geographical land by nature etc.. Prospects for overall economic development have been brighter only if the present's structure of the economic with predominated dependence tradition agriculture can be gradually transferred through the process of industrialization. The overall development of any country depends upon sound and rapid progress of the industrial, trade and commercial sectors. For the smooth operation of the private and public organization needs good working

capital management, to development the agriculture country, the industry based upon agriculture play key role. Such industries are established mainly for earning profit through providing product and service for the sound operation of business sector.

Industry is concerned to produce goods and provide services to get maximum profit. Being an agriculture country, agriculture based industries is related to develop the nation. The process of producing, marketing and providing services is regarded as industry. Such agriculture products are sold the market and consumed by the customer.

Industry such as agriculture base should be established in our country for the rapid development of the country. So, industrial revolution is needed to take the country into mountain of development. In early days, sufficient industries were not established in our country due to the following reasons:

-) Unequal distribution of nation income
-) Land locked country
-) Development country
-) Lack of Sufficient Capital
-) Political instability
-) Mixed economy
-) Higher population growth
-) Lack of infrastructure
-) Depended on foreign aid
-) Lack of skilled manpower
-) Lack of Managing row-material
-) Lack of Technology

Finance holds key role all human activities. Every financing decision is done by observing the income and expenditure of such as investment

decision. So it shows the way to make national decision .It is both the Science and art. It analysis investment decision process in a systematic manner as science and apply its rules as an artists. However, finance strategy is the blood for every enterprise such as manufacturing organization. It is the one of components of finance management. It is a nerve of the business concern. It is essential to accommodate the smooth running of the concern. No business can operate successfully and effective and efficient management of Working Capital. Adequate working Capital will be helpful to keep solvency position, goodwill, credit worthiness as well as building capability to face to pay the finance bottleneck. It is true that well firm needed to face wages, pay for the row material, pay bills and so on. The money available to them to do this is known as firm's Working Capital. It is better to specify the working capital by different pioneers and authorities of finance as regards working capital.

Working Capital management is the management of current asset and the current liabilities of the firm'¹

Capital that is needed and used in running a business and not invested in its building and equipment'²

Working capital is a firm's investment in short terms assets'³

The term working capital some called gross working capital generally refers current assets'⁴

¹Thapa kiran and Narayan, Niraula corporate Financial Management, Khanal book publisher and distributor "3rd Edition, 2062, Page 101

²Oxford Advance Terms Dictionary of current English 5th Edition (2nd impression 1997)

³J.F. Weston & managerial Finance, 11th Edition 1996, New York, page 332

⁴P.K.jain & K.Y. Financial, Tate me grow hill publishing house India 6th Edition, Page 224

The terms current assets refer to those assets which can be made within a year (fiscal year). Such as cash, short term securities, debtors, bills receivables, accounts receivables, inventories etc. The terms current

liabilities are those which should be paid within a year. Such an account payables, creditors, bills payables, bank overdraft, outstanding expenses etc. However, effective Capital needed in the firm not keeping high each one.

In this context, many manufacturing industries and Commercial enterprises have been established both in public and Private sector for the development of the national economy. The private sector and government owned enterprises together help in exacting development efforts simultaneously. However the private sector is more important in the process of national development. Private sectors processes the characteristics such as entrepreneurship, professional skills, quick decision making process and freedom of management of the private sector enable them to influence the economy constructively and according to the changing situation.

Our study focuses on working capital management of private firm with special references to AMIE pharmaceuticals, Pvt.Ltd. In this regards “AMIE pharmaceuticals Pvt. Ltd” is established in 1999 A.D. But production starts from 2001 A.D. It is located at Naktajhij of Dhanusha District. The founder of this industry is late Dr. Amiya Mukharjee. He was modern person having reasonable thought and adventurous habit. There are forty medicine concerns (Pharmaceutical industries) in Nepal but Dr. Mukherjee had added golden page in the histories of the Nepalese medicine manufacturing concern. He established this Pharmaceutical at Janakpur zone as named AMIE PHARMACEUTICAL Pvt.Ltd. which is inspired from the founder’s own named (Dr. Amiya Mukharjee).

AMIE pharmaceutical contributes its important role in Nepalese context. It produces quality product at reasonable price. It is new company over than others Medicine Company in Nepal but its products are so favorable and faithful for ill person. Many patients had got grants from its

products. AMIE pharmaceutical is using local raw materials of local forests. It is also using Malaysian, Korean, Indian and Chinese raw materials. Its employees are also very good and sensitive. They are so many pharmaceutical industries in Nepal. The technologists of same fields are available so, he should not face technical difficult on the production process.

The industry is established under domestic small industry act. There are 25 employees in factory and 10 employees in office of AMIE pharmaceuticals. They are also qualified and hand working. It was started with small range of product out within 11 years it have a good range of medicine as well as nice percentage of markets but this company cannot fulfill the expenses by this result this company came in existence. Many pharmaceutical companies were also getting several threat and the conditions for pharmaceuticals were not good. It has taken financial support from Nepal Development Bank. Mostly works are required on whole year for processing of raw material. This organization is in single proprietorship. The market of this product is all over the country through the dealership and sub dealership. It is assumed as national product. AMIE pharmaceuticals products are: - Albenzo, Amimox Dry syrup, Amimox Drap, Amimox 250 and 500 mg(capsule), Amtrom DF, Amtron suspension, cloxy, fero-B, Sporin Dry Syrup, Trimazole etc. The organization has social importance also as it creates the employment opportunities . After getting the employment in this industry their economic status and life style have been improved. The main raw material of this company has been brought from Singapore and the materials used as expects have been brought from India. The packaging Materials like cartoon, box, partition, gum, glass bottles, jar, drums strips are purchased from market.

The main objective of this organization is to manufacture the quality product at low cost as far as possible i.e. optimization of production cost. The subsidiary objective is social aspect as the organization has implemented Eco-friendly processing practice such that environmental pollution lode (solid, water and air) is negligible. The organization has implemented cleaner production practice with the technical help from SEAM-N Nepal, Strengthening of environmental administration and management at local level since last year.

After implementation of cleaner production program, the wasted generated from processing has been reduced. The productivity has increased. The scope of industry is bright. To run the daily production activities of the industry, besides the manpower, machinery etc. one of the major components is working capital without which other fixed things can't be used. So, this study is conducted how the working capital is being managed in AMIE Pharmaceutical Private limited. It is able to maintain liquidity? Effective and efficient management of finance plays a key role for the success of each and every organization. So, working capital plays a significant role in every respect and more. So, the Pharmaceuticals structure of working capital and its function upon working capital.

Some industries are not maintained good working capital in it due to the following reasons which harms the organization and lead to the liquidation of the organization:-

-) Inadequate supply of raw materials, power and fuel.
-) Law liability of market.
-) Lack of knowledge of managing the working capital.
-) Lack of motivation of the other workers and other staffs.
-) The method of cut-throat.

So better of raw materials and availability of better market are need to save the industries from liquidation. And the variables resources of the organization i.e. human resources should be managed effectively to manage the capital management.

Adequate working capital brings security and confidence with various advantages such as better term of purchase, cash discount, bank loans, and favorable rate of interest. There would be the steady work which raises the moral of employers and efficiency and creation of sound industries .So, to make soundness and strength of enterprises, the adequate of working capital is needed. So, the manufacturing industries should not have access working capital. It is the sign of poor management the effective liquidity position leads the industries in to profitability by avoiding, risk and uncertainties.

On the other hand, in adequate amount of working can threaten the solvency of the organization. It fails to meet its current obligation. Therefore, the current assets and current liabilities are needed to manage in respect to the changeability in the outside trend of the business environment. So, the management should be prompt enough initiate and actions and corrections.

Business sector is very vast and competitive now. The producing, branding, marketing packing work play greater role for the selling of the products manufacture. So, the packing and branding are essential to sell the produced goods in the market. So, to complete in the complex business environment, the quality of the products should be the best of the best due to it is the demand of 21st Century's customer'.

Proper financial management is an essential thing for every private firm from the review of achieving its objective. In this respect, management of working capital is part of decision making process of business organization. In manufacturing private firm the role of working capital is

more important service oriented business firm. The study of working capital management in private is very important mainly for these four reasons. Firstly, private business firm must be determining the adequacy of investment in current assets. Otherwise, it would seriously erode this liquidity base. Secondly, they must be selecting the type of current assets suitable for investment, so as to raise their operational efficiency. Thirdly, they are required to ascertain to turn over the current assets that greatly determine the profitability of the private firm and lastly they must find out the appropriate source of fund to finance current assets.

The term net working capital can be defined in two ways i.e. 1st the most common definition of net working capital is the difference between current assets and current liabilities and 2nd the alternative definition net working capital is that position of firm current assets, which is financed with long term fund. It is qualitative concept indicating the soundness of current financial position. It is more important to the investors and lenders.

The Net Working Capital being the difference between current assets and current liabilities indicates the liquidity position and suggest the extent to which working capital needs may be financed by the permanent sources of fund. Business enterprises must possess sufficient current asset to pay current liabilities and maturing obligation with the operating cycle because cash outflows and inflows do not coincide. In other words, it is the non synchronous nature of cash flow that makes net working capital necessary. While in adequate investment in working capital threatens solvency of firm. Excessive investment affects enterprises profitability, as idle investment yields nothing. Due to the lack of basic knowledge working capital most of the business enterprises in Nepal are unable to maintain the best level of working capital management. Deficiency of working capital management has after brought a lot of liquidity crises,

which should have been avoided in the presence of knowledge among the private enterprises manager.

So, sufficient finance is needed for every industry to run smoothly. The life blood means working capital management which leads them as good security, certainty and confidence of a business. So to see the importance of working capital, a study is conducted to know the working capital strategy and policy of AMIE pharmaceutical Pvt. Ltd.

Many questions are asked in relation to the working capital management such as how is it raising its fund. What are the trends of current assets? Is there effective management of working capital? Is the working capital increasing or decreasing? What is the working capital position of the company? Are the funds moving properly? How well is the company using the funds? To get the satisfactory answers to these questions the study conducted relating to the working capital management of AMIE pharmaceutical Pvt. Ltd.

The study also clears about the relationship between current assets and current liabilities. And other factors which are related to the efficiency of working capital management of AMIE pharmaceutical Pvt. Ltd.

We have analyzed the five years data of AMIE Pharmaceutical Pvt. Ltd. from the FY 2064/65 to 2068/69 B.S for find out the position of working capital Management.

1.2 RESEARCHERS INTEREST

The researcher is interested to study the working capital management condition of this industry because he believes that, this have only provide better understanding of the concerned company. This has been enabling to improve working capital management in the coming days. Furthermore the researchers believe that there is lack of studies on such area.

1.3 RELEVANCY OF THE STUDY MEDICINE

With this period, different medicine industry has been established in our country. It plays key role to develop the economic condition of the country. For the rapid development of such firms, the effective study of working capital management is needed. So it is the main thing and nerve center of the firm.

In this context, The AMIE pharmaceutical Pvt. Ltd is chosen and analyzed to highlight the importance of the working capital management. Thus, relevancy or need of the analysis of working capital management, Findings of the sound working capital position of industry have been providing ideas upon optimal working capital position. So, working capital chosen as it is the blood of each and every.

1.4 STATEMENT OF THE PROBLEMS

Every organization is established with its effort to achieve the goal of maximizing profit and others. So, no one can assume that we get problem less organization. So, AMIE pharmaceuticals industries have also some problems with the passing of time, the product of this industry are being popular all over the Nepal. The products of this industry cover the area of Nepal because AMIE pharmaceuticals Pvt.Ltd is one of the most prominent industries in the production machine items.

Now a day this industry has occupied an important place in the modern business of Nepal. Some of the problems seen in the field of study are illustrated as follows under:-

-) Is AMIE Pharmaceutical investment in current assets appropriate to its total assets level?
-) Is there proper investment in each types of working Capital?
-) Is there sound liquidity position?
-) What are the motives for holding working Capital?
-) Which of the current assets create more problems?

The structure of the organization not Scientifics the uniformity is not in the recording cost. Although the costs are categorized well, on the other side, the costs are not separated as fixed costs are not maintained. The above observation indicates the poor working capital management in AMIE Pharmaceuticals Pvt.Ltd. So, this study attempts to have an inside view over the problems of working capital management. Therefore, it should have enough working capital to margin profit, market opportunities and to achieve targeted goals.

1.5 OBJECTIVE OF THE STUDY

The basic objectives of the study are to be measured working capital management of the AMIE Pharmaceuticals Pvt.Ltd and to obtain the true result about the working capital position of AMIE pharmaceuticals industry. This study also provides the suggestions for the improvement of the working capital management of the firm. Some other objectives of the study are as follows under.

-) To analyze the liquidity of composition of working capital, assets utilization and profitability position of AMIE Pharmaceutical PVT Ltd.
-) To study the relationship between sales and different variables of working capital in AMIE Pharmaceutical PVT Ltd.
-) To know whether the adequacy of working capital depends upon the nature of financing current assets or not.
-) To suggest the appropriate management system of working capital to the AMIE Pharmaceuticals PVT Ltd.
-) To established the relationship between sales and different variables of working capital.
-) To provide suggestion for improving working capital management in future.

1.6 ASSUMPTION OF THE STUDY

As every research has its own assumption and limitation.

The main assumption can be written as under:-

-) The data provided by the firm are correct and accurate and other references have been assumed correct time.
-) Data are collected by the concern firm. So, secondary data are used and these data are correct and valued.
-) Focused only up to five year (From 2064/065 to 2068/069).
-) Since the analysis of data has been taken from the company's account, the research is based mainly on secondary data and this study is not free from the limitations.

1.7 LIMITATION OF STUDY

Limitations exist everywhere and this study is also not an exception of it.

The following are the major limitations of this study.

-) It has focused on Balance sheet and P/L a/c maintained by AMIE Pharmaceutical PVT Ltd.
-) This study covers the time periods of five year from 2064/065 to 2068/069 B.S.
-) Secondary data has been utilized for the study.
-) Although government rules & regulations, technological aspects of the industry also effect the financial position of the industry, this study is not concentrated in the government rules & regulation and technological aspects.

1.8 RESEARCH METHODOLOGY

A. Population of Sample size

The sampling has been used for the study. The analysis has based upon sampling. Difference sampling techniques has been using.

B. Research Design

Research design refers to the conceptual structure in which research is conducted. The working capital management condition of the AMIE medicine products has investigated by studding directly.

C. Research Method

Direct supervision, questionnaires and other data have used for the true, exploratory and analytical study.

D. Source of Data and Collection Strategy

Various tools are used for the collection data of AMIE medicine primary source of data, other newspaper and journals etc. are used to find the situation of the above mentioned problem.

E. Method of Data Analysis

Different methods of data analysis are used to analysis the working capital of AMIE Pharmaceutical Pvt.Ltd.

I. Financial Methods:

- Credit management analysis
- Cash management analysis
- Balance Sheet

II. Statistical Methods:

- Average (Mean)
- Graphical study(Bar Graph)
- Correlation analysis
- Problem Error

1.9 ORGANIZATION OF THE STUD

In this research study, following of the chapter are included:

A. Introduction

In this chapter introduction of the study, background of the study, Statement of the general problem, relevancy of the study objective of the study, assumption and limitation of the study are mentioned.

B. Review of literature

This chapter deals with the reviewing the literature works on the working capital. The study on working capital by the pioneers are presented and analyzed. The literatures are totally based on the subject matter of the study.

C. Research Methodology & Design Used

In this chapter the method used in the study have been presenting various tools, techniques are defined related to the subject matter of the study. Such as, research design, research method, and source of data and collection strategy tools to be used and methods of analysis are included.

D. Presentation & Analysis of Data

Various variables used in the study have been presenting in this chapter. This is the main chapter where all the tests have been conducted to answer the proposed problem of this study.

E. Summary, Conclusion & Recommendation

This chapter presents the summary of the total study. Conclusion has draw to show the weakness and strength of the various tests conducted in this chapter and recommendation so forward to concerned industry i.e. AMIE pharmaceutical industry PVT .Ltd. The areas of weakness and ways to improve them are presented. Suggestions and further paths of improvement has recommended to the industry.

1.10 TERMINOLOGIES USED

a. Current Assets

Current assets include cash and those assets which can be converted into cash within a year such as marketable securities, cash, prepaid expenses, bill receivables, account receivables, inventory, sundry debtor etc.

b. Current Liabilities

An obligation maturing within a year is included in current liabilities, thus current liabilities include sundry creditors, provision for taxation,

bank overdraft, bills payable, outstanding expenses, unclaimed dividends, bonus, housing and income tax etc.

c. Net working Capital

Net working capital refers to the company surplus balance of current assets over current liabilities or net working capital is the difference between current assets and current liabilities.

$$\text{Net working capital} = \text{current assets} - \text{current liabilities}$$

d. Fixed Assets

Fixed assets are permanent assets without which no organization is existed in the world. Such as furniture, building, Plant and machinery, furniture & fixture, equipment, vehicle etc for the regular operation of the firm.

e. Total Assets

It is the total sums of Current asset and Fixed Assets i.e. all asset of organization.

f. Equity

Equity is a part of net worth. It generally implies as common stock including preference share capital.

g. Total Fund

Total fund implies the total long term debts as well as short term debt of the firm.

h. Inventory

Inventories are the stock of goods which keeps meeting firm's requirement of production and sales. These are materials, work-in-progress, finished goods and chemicals etc.

i. Receivable

It includes the sales debtors and other debtors only.

j. Cash and Bank Balance

It includes the cash in hand and cash at bank of organization.

CHAPTER -II

REVIEW OF LITERATURE

2. INTRODUCTION OF CONCEPTUAL REVIEW

In this chapter the literature related to financial management and working capital management are presented. So, this chapter deals the theory of working capital, needs and objective of working capital, principles of working capital as well as need and importance of financial management.

2.1 FINANCIAL MANAGEMENT.

Financial management is defined as the process of acquiring and using funds to accomplish a financial objective simply but it has to do with getting our hands money and deciding how best to spend, saver or invest it.

Some of the importance firm level financial management activities include identifying a business strengths and weakness, evaluating investment opportunities, forecasting future funding needs and managing the implementation of the investment. All of these financial management activities requires that the manager of the project the future position of the firm under different scenarios and determine the (likely hood) of accomplishing stated goals.

Financial Management decisions regarding the acquisition of funds must consider whether to acquire funds through one's financial resources, the resources of other investors, or by borrowing. Decision has been also make about whether to obtain long-term, short-term, or some combinations of long-term and short-term funds.

In the process of allocating funds, financial management, and financial managers must understands and interact directly with decision makers in financial markets and participates on the business that they represent. This interaction could be limited such as obtains saving or checking

account at a local bank. On the other hand, it could involve more sophisticated interaction such as raising fund by issuing equity claims in one forms of share stock. Financial management also requires interaction between various parts such as inventory policy in both financial and management decisions and requires input from the production and sales department as well as firm's financial management.

Financial management is the centre of each business they need a best decision on relevant concepts and realistic framework⁵. In this regards, to make the sound result, it should be based for decision upon the realistic of firm, which is also called business finance or managerial finance. Financial management deals with the acquisition, financing and management of assets for the purpose of achieving certain goal⁶.

Financial management comprises two words i.e. "Finance" and "Management". Finance can be defined as the procurement of funds, It can be efficient utilization in the in the productive field. And Management refers to the planning, organizing, coordinating, directing and controlling in order to achieve the goal of the firm. Therefore, raising, controlling and administrating of funds used in business⁷.

Financial management is to be more precise concerned with the investing and financing decisions related to the objectives of the firm due to the all decisions can be taken for return and the welfare of the shareholders. So, it is the subject related to the way of investing and making decision scientifically. The structure of the financial management can be illustrated as under. (Next Page)

⁵Pradhan Surendra, Basic of Financial Management, Education enterprises (P) Ltd, Kathmandu.p³

⁶Joshi Padam Raj, Fundamental of Financial Management, Asmita Publication Enterprise (P) Ltd, Kathmandu. 1st edition 2004 p³

⁷Thapa kiran and Niraula,Narayan , Corporate Financial Management , Khanal Books publisher and Distributors, 3rd Edition,2062,P^{1.2}

Structure of Financial Management

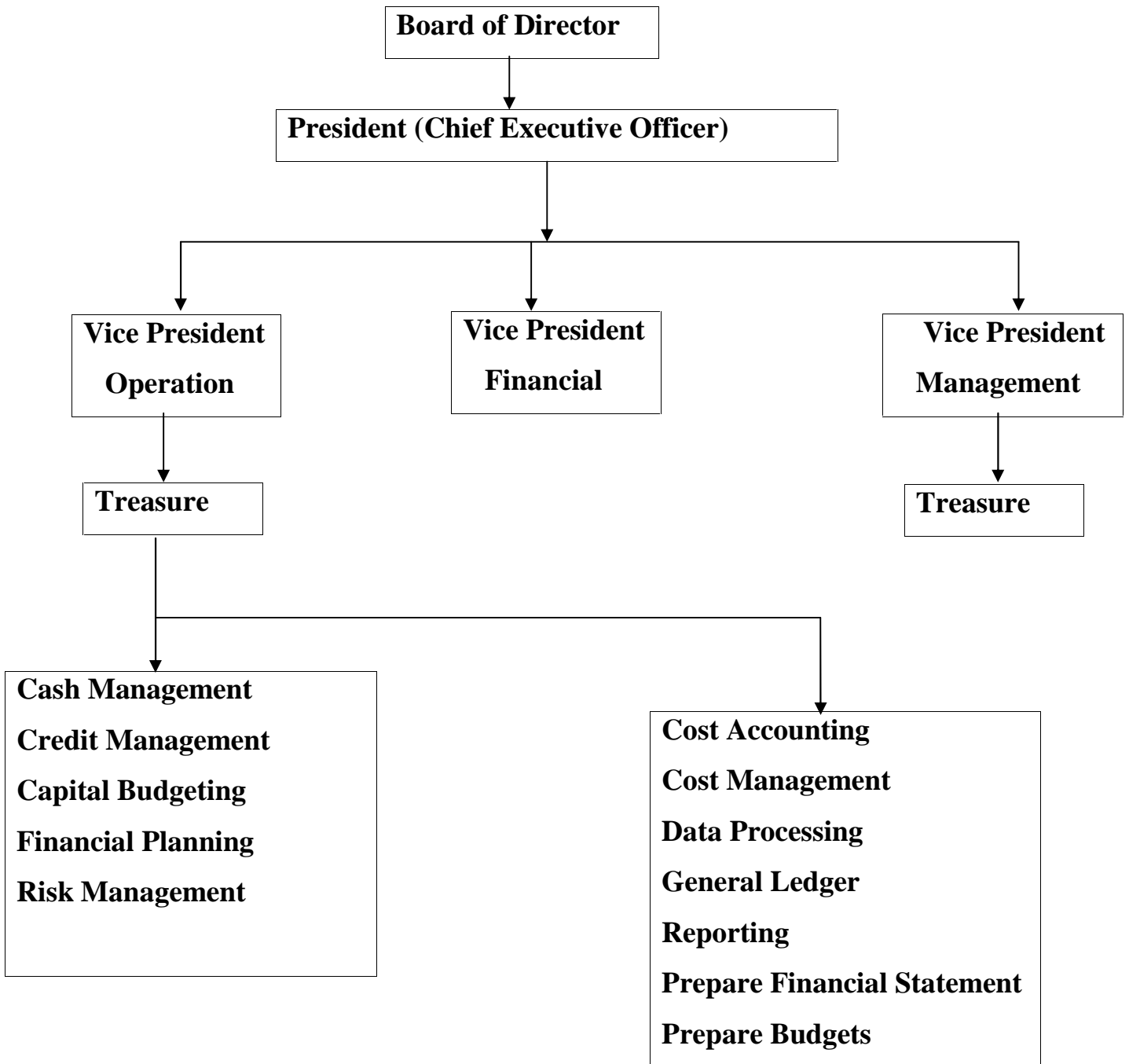


Figure 1: Financial Management in the Organization Structure

2.2 IMPORTANCE OF FINANCIAL MANAGEMENT

Financial management is important for efficient the smooth operation of the each firm. So, it is compared as the life blood. Without it, firm becomes the dead body. To operate daily transaction, and obtained the goal or profit could only be achieved by the effective management of finance. Other importance of the financial management is as follows:-

-) For making decision regarding the investment in long term assets such as building, furniture, machines etc.
-) For making decision on the fix of long term sources such as debt, preferred and common stock.
-) For making dividends decision for the shareholders.
-) For making dividends upon working capital management.
-) For achieving the goals of wealth maximization and welfare of the shareholders.

2.3 WORKING CAPITAL MANAGEMENT

Generally, working capital management is the management of current assets and current liabilities. Working capital is the support to the present for the future success of each and every firm. So, it is regarded as the life blood of the firm's. On the other hand, we divide the managerial decision on the basis of assets and liabilities. Asset indicates the investment. So, investment upon the short term financial management is regarded as working capital management, which typically is viewed as the management of current asset and current liabilities of the firm. As we know that a firms value can be maximized in the long run unless it services in the short term. Firms fails most often because they are unable to meet their working capital management is a requisite for firm survival. "Working capital " management involve the administration, within policy, guidelines of current asset and current liabilities⁸. Working capital: A firm's investment in short terms assets cash, marketable

securities, and inventory and account receivable⁹. The term working capital originated with the old Yankee Peddler, who would load up his wagon with goods and then go off on his route to peddle his wares and repeat again¹⁰.

Therefore the major items those are included in working capital are current assets and current liabilities. Current assets are Cash, marketable securities, accounts receivable etc. the asset that can be easily converted into cash within a year without losing any value is termed as current asset. On the other hands, current liabilities are such which should be paid within a year.

In one word, Assets that will normally termed into cash within a year, is current asset where as liabilities that will be normally be repaid within a year is current liabilities. 'Thus, working capital is concerned with the problem that arises in attempting to manage the current assets and current liabilities for the interrelation that exists between them.

There must be a cycle of the working capital management which can be illustrated as in figure under.

⁸Weston, J.F. and Brigham, E.F. Essential of Management Finance, Dryden press 11th edition 1996, p³³².

⁹Ibid, P³³²

¹⁰ Adam smith, the wealth of nation lib Inc. New York 1973. P²⁶²⁻²⁸³.

Cycle of working capital management

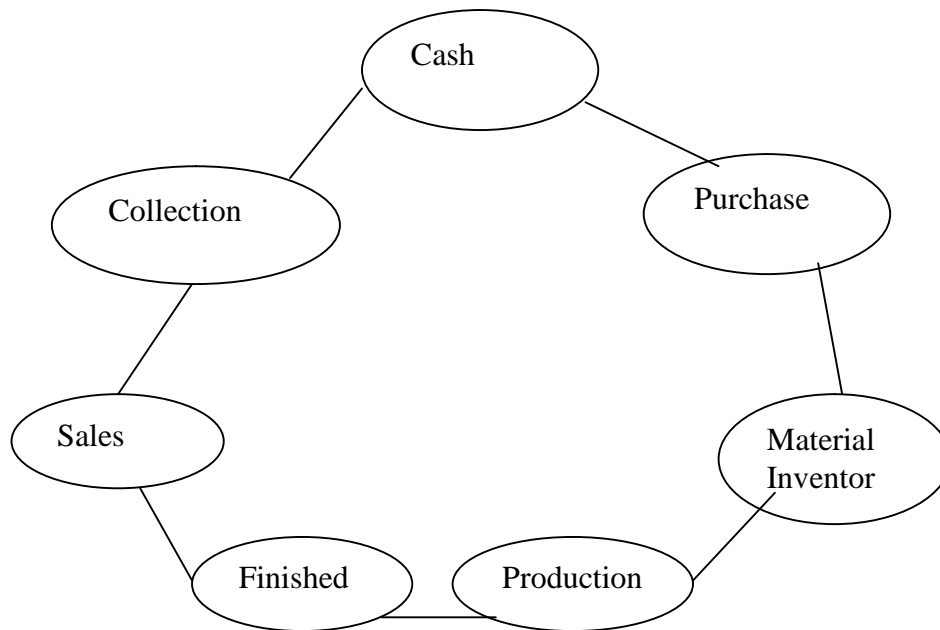


Figure -2: Cycle of the working capital management

The management should try to reduce the period of operating cycle. So, this leads is to manage the key variables affecting working capital. So, as to get optimal result, the operating cycle should be managed as shorter as possible by management for the effective management of working capital.

2.4 CONCEPT OF WORKING CAPITAL

Generally working capital means the excess of current assets, over the current liabilities. The working capital is the capital needed to conduct day to day operation business. Working capital is therefore, a broader term and there is chance of misunderstanding it. Liquidity crisis could have been avoided. Deficiency of knowledge about working capital has often brought a lot of liquidity crisis in fact there are two concept of working capital.

Gross Concept

The gross concept refers that the total of all the current assets are working capital. Generally the assets which are converted into cash

within a year are current assets. A gross concept in working capital means the total sum of current assets only. They are:-

Cash

Cash in hand

Bill receivables (Sundry debtors)

Inventories

Raw materials

Work-in-progress

Finished goods

Account receivables

Accruals incomes

In the other words of “Adam Smith” the goods of the merchant yield him no revenue in profit till he sells them for money and the money yield him a litter till it is again exchanged for goods. His capital is continuously going from him in one shape and returning him in another and it’s only by means of such circulation’s successive exchange that can yield him any profit. Such profit therefore, many properly are called circulating capital.

R.S. Pradhan and K.D.Koirala express their views about gross concepts of working capital as “ If all the expenses needed to run the day operation of business amount to be invested in the form of cash finished goods receivables put together it is called working capital . Thus working capital and total current assets are synonymous”.¹¹

According to RS Sharma and SK Gupta “the term working capital refers to the gross working capital and it represents the amount of funds invested in current assets. Thus, the gross working capital is the capital invested in total current assets of an enterprise”.¹²According to this concept the total current assets if working capital the liabilities are not

taken into consideration. So, this concept does not lead us to good conclusion and result.

Net Concept

Net working capital means the difference between current assets and current liabilities are greater than current assets, it is negative. If the current liabilities are greater than current assets than current assets, it is positive. The current liabilities should be paid within a year. These are as under follows:-

Bills payable

Sundry Creditors

Account payable

Short-term loans

Bank overdraft

Outstanding expenses

Income tax payables

Net working capital is commonly defined as differences between current assets and current liabilities.

According to Gilman “ The term networking capital can be defined as in two ways: (a) The most common definitions of net working capital is the differences between current assets and current liabilities and (b) Alternative definitions of Net working capital is portion of firm’s current assets, which is financed with long term funds”.¹³

As expressed by American Institute of Certified Public Accountants USA “Working capital sometimes called net working capital is represented by excess of current assets over current liabilities and identifies the relatively liquid position of total enterprises capital which constitutes a margin of maturing within the ordinary operation cycle of the business”.

A liability induced the liquidity position and suggests the extent to which working capital needs may be financed by the permanent sources of fund.

Net working capital can be negative or positive. A positive net working capital arises when current assets exceed current liabilities. A negative networking capital occurs when current liabilities are in excess of current assets. The gross concept is a financial or going concern concept where as net working capital concepts are accounting concepts of working capital. These two concepts not exclusive; rather both have their own merits. In this way; these two concepts are complementary to with each other. Choice of these two concepts by the firm or industry depends up on the purpose of the firm in industry. So, these two are not contradictory but complementary. Other it is true that the current assets must be higher than current liabilities. Otherwise, the firm of industry may go into insolvency and liquidation.

2.1.5 IMPORTANCE OF WORKING CAPITAL MANAGEMENT

The need of the working capital management can be proved by the following points:-

-) A large proportion of the financial manager's time is allocated to working capital management.
-) More than half of the total assets are typically invested in current assets.
-) The relation between sales growth and the need to invest in current assets is close and direct.
-) Investment in fixed assets may be reduced by renting or leasing, but investment in inventories and receivables are usually unavoidable.
-) Small forms may maximize their investments on fixed assets learning but they cannot in cash, receivables inventories. Management of working capital increases the sales.

¹¹R.S. pradhan & K.D. koirala, some reflection on working capital management in Nepalese corporate management Dynamics, Vol.3 No.1

¹²R.K. Sharma & S.K. Gupta, Management Accounting Principles and Practices. 7th edition 1996.p.21

2.1.6 TYPES OF WORKING CAPITAL

The working capital is divided into two groups:-

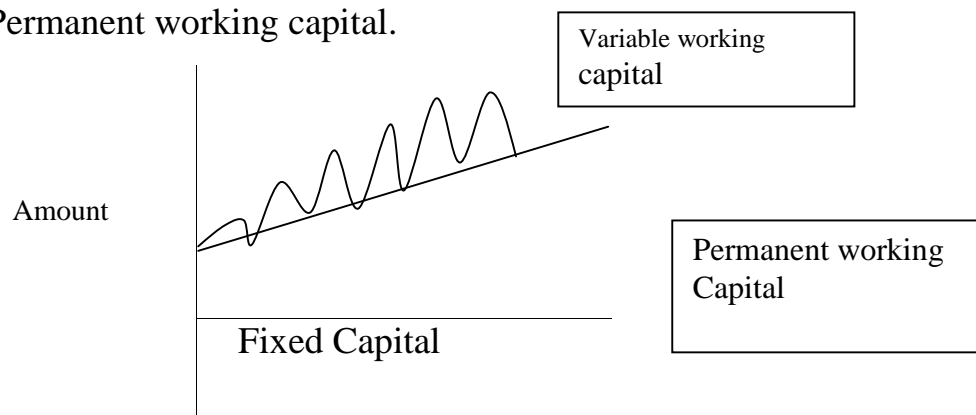
Permanent working capital

The capital which is not changed due to the proportional change in production and sales is known as permanent working capital. The inventor invests the fixed amount in such assets such as bank and cash safety stocks. On the investment made upon these will never be zero. So, the variation in sales leads to change in permanent working capital.

Variable working capital

The capital which is changed due to the proportional change in production and sales is known as Variable working capital. Increases in sales, increases in capital and decreases in sales don't decrease this capital. For heavy sales, the stock of materials should be high as well as higher receivable, which increase the variable working capital.

One figure is presented below to understand better variable working capital & Permanent working capital.



Above Figure -3 Types of working capital

From the above graph the fixed capital is not changed due to the utilization of full capacity of firm. The permanent capital is changed due to the change in productions. But there may not be fluctuation in short period of time. At the time of peak sales, more circulating capital is needed and during slack sales, few circulating capital is needed.

2.1.7 Working capital policy

Working capital policy refers to firm's basic and strategy regarding levels for each category of current assets and how current liabilities will be financed.

a. Conservation policy (Relaxed Policy)

Conservation policy carries a high level of current assets (Cash, Marketable securities, receivables and inventories) to sales. It uses more long term debt and less short-term debt for financing current assets. So, conservation policy lowers the risk and return.

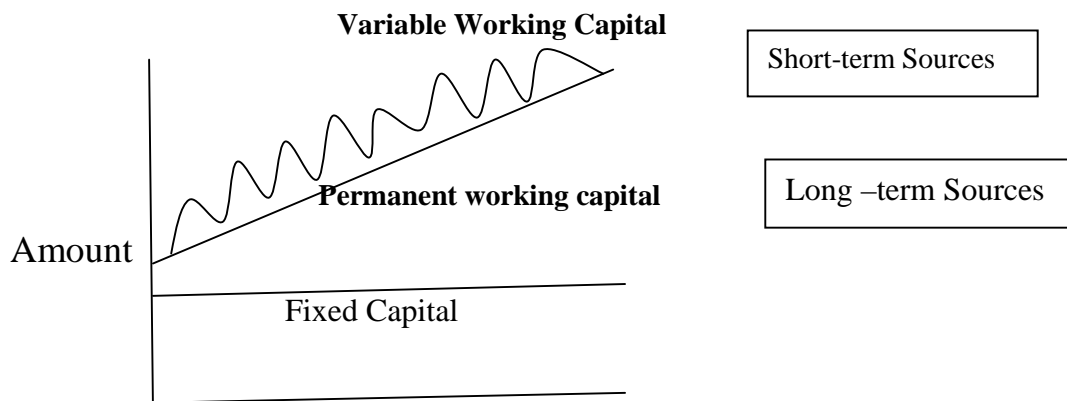


Figure – 4, Variable Working Capital under Conservation Policy

b. Aggressive policy(Tiger Policy)

It carries a low level of current assets of to sales. Aggressive policy uses more short-term debt and less long-term debt for financing current assets. Therefore, an aggressive policy results in a higher risk and a higher profitability.

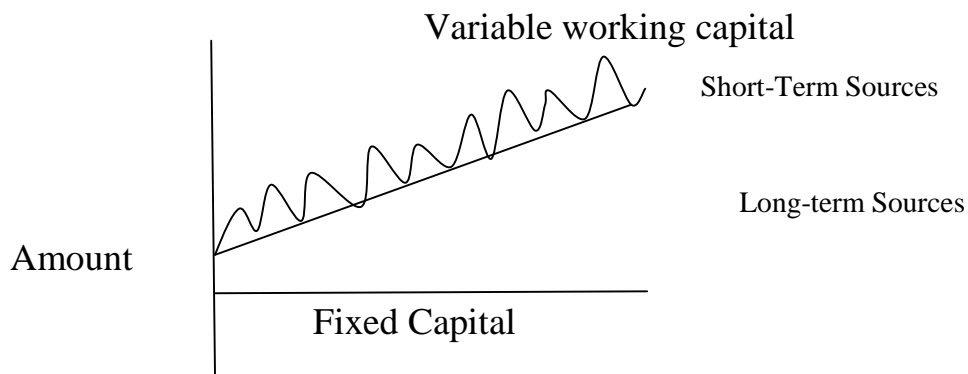


Figure – 5, Variable Working Capital under Aggressive Policy

C. Moderate Policy (Average)

It lies in between two extremes it uses the balance amount of short term and long term debt. So,

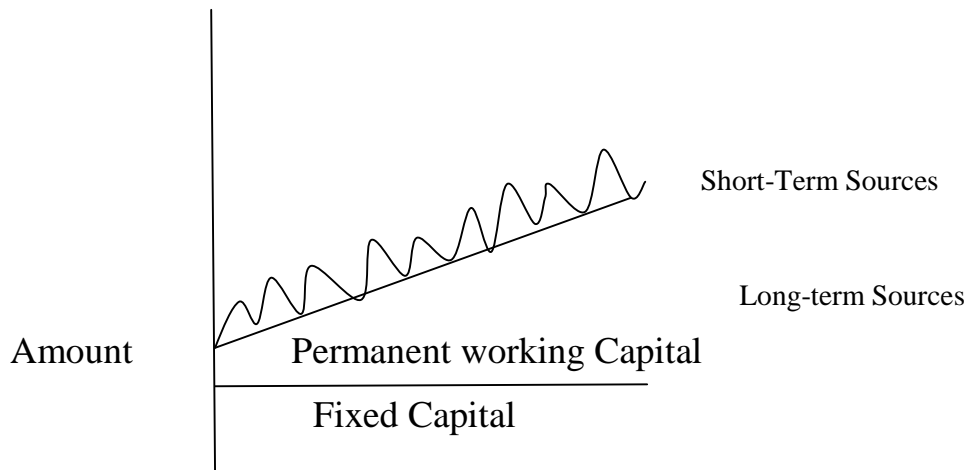


Figure – 6, Variable Working Capital under Moderate Policy

Generally, the decision on current assets levels risk/return trade off. The conservative policy minimizes risk, but it also has the lowest expected return coupled with the highest risk.

2.1.8 DETERMINATION OF WORKING CAPITAL

Some factors are the barriers of working capital it determine the working capital is illustrated as under follows:-

-) Nature of Business
-) Size of Business
-) Growth rate
-) Seasonal effect
-) Cyclical factor
-) Changes in technologies
-) Manufacturing process
-) Production policy
-) Credit policy

-) Cash flow cycle
-) Price level changes
-) Demand policy
-) Operating Cycle
-) Business Cycle
-) Terms of purchases and sales
-) Level of Income tax
-) Transportation and Communication Facilities
-) Credit policy
-) Technological Development

So, the financial Managers should pay full attention towards that point to manage effectively and efficiency.

2.1.9 REVIEW OF JOURNALS/ARTICLES

Articles, journals and bulletins are of great significances for thesis writing, so various publishers' articles by different management expert and journals/bulletins relating to working capital management have been considered.

The research work done by Dr. Manohar K. Shrestha in an article, "Working Capital Management in selected public enterprises". In this study Dr. Shrestha found the proper management of working capital is a neglected factor in most of the enterprises. They are suffering from inefficient cash management, defective inventory policy and lack of account receivable management. Due to the improper capital policy, the enterprises failed to determine the liquidity needs appropriate sources of financing them. The liquidity position of selected PES differs widely in view of the difference in their nature, but the liquidity positions maintained by most of the individual enterprise are less than satisfactory. Similarly, due to lack of improper plans and policies, the most of the

enterprise on the one hand, are facing serious financial crisis and on the other hand, are showing poor turnover. This also demonstrates operational inefficiency of PES. It is seriously undermined and this has brought of times unfavorable implications in the overall management of working capital. He also stated that the profitability of the most of the PES is positive, but not satisfactory. The employment of working capital in terms of returning is not sufficient to justify in current asserts. Lastly, low capacity policy bringing less returns one net working capital".

In the next day of Dr. Manohar K. Shrestha, in another articles, a sample of ten enterprises, has been selected to measure their working capital needs. To evaluate working capital needs of selected PES, liquidity, turnover and profitability ratings were calculated. In this analysis he found that four PES and maintained adequate liquidity position, two had excessive and remaining four had failed to maintain desirable liquidity position. On the turnover side, two PES had negative working capital turnover, four had adequate turnover, one had high turnover den the remaining three had not satisfactory turnover on the working turnover on net working capital. He had also found that out of ten PES, six public enterprises were operating at loses while only four were getting some percentage of profits. With references to those finding he had brought certain policy issues such as lack of suitable financial planning, negligence of working capital management, deviation between liquidity relationship between turnover and return on net core come from the above policy issues, Viz. Identification of needed fund, regular check of accounts, development of management information system, positive attitude towards risk and profit and determination of right combination of short term and oolong term success of funds to fiancé working capital need.

Dr. Manohar K. Shrestha has conducted an empirical observation of twelve selected PES. In this article he has described the conceptual ingredients concerning the working capital, such as conceptual setting sources of working capital and types of working capital. From the analysis, he found that the liquidity position of the selected PES differs widely in view of difference of in their nature of business. There were also above normal acid test ratio. While the analyzing ten turnovers of those selected PES shows wide deviation. Based on the sales value, four out of seven PES had normal inventory turnover, the other three had not been satisfactory maintained and in some of them inventory had exceeded sales. The collection period relating to the selected PES exhibited marked difference ranging from 32 days. Profitability position was analyzed return on net working capital was positive for eight PES, negative for PES and the rest two had not any return. Since, they were in establishment phase.

During the analysis he observed some problem like the lack of criteria to ascertain the satisfactory maintain of acid test ratio and working capital needs, large blockage of capital in inventories and low capacity utilization. All these were due to inefficient management of working capital in that PES.

Another articles relating to working capital management is By Dr. R.S. Pradhan. He studied on the demand for working capital by Nepalese corporations. For the analysis nine manufacturing public corporations were selected with the twelve years data from 1973 to 1984. From the analysis the regression equation had been adopted. From the study he concluded that. The earlier studies concerning the demand for cash and inventories by business firms did not report unanimous findings. A lot of controversies exist with respect to the presence of economic of scales, role of capital cost and capacity utilization rates and the speed with which

actual cash and inventories are adjusted to describe cash and inventories respectively. The pooled regression results show the presences of economics of scale with respect to demanded to working capital and its various components. The regression results suggest strongly that the demand for working capital and its component is a function of both sales and capital costs. The estimated results show that the inclusion of capital utilization variable in model seems to have contributed to the demand function of cash and networking capital only. The effects of capacity utilization on the demand for inventories, receivables and gross working capital are doubtful.

2.1.10 REVIEW OF RELATED LITERATURE

Under this topic, different pioneers conclusion of research works are presented which help the study to carry on the better and scientific result. Some research outcomes performed by different pioneers under the heading of working capital and others are presented below.

Dr. Khagendra Acharya had concluded about the working capital management of public enterprise. Some major outcomes of the study are incensories constitute the most important and largest element of working capital in NTDC. The overall adequacy of inventory of inventories in NTDC discloses that the growth of working capital and inventories in the corporation are negatively correlated.

The break even analysis of NTDC reveals that due to insufficient working capital the corporation has been selling the products at a far below rate than its break bevel.

The credit policy, which is not clear is itself has not been followed by the corporations while collecting the overdue account.

NTDC is expected to improve its present system of inventories manures, insecticides, flues etc.

Receivables are growing rapidly thank the corresponding growth on sales volume.

Monitoring the proper functioning of working capital management had ne been included in the managerial job-in all the selected PES, with no exception to NTDC during the study period.

There should be a close relation between the production units of different estates and the central materials management department.

Mr. Bhart Raj Pokharel had studies about “Marketing activities of Nepal Pvt. Ltd".He had given the following suggesting and recommendation. The company should diversity the product lines. Hardened pipes, consumer goods such as kitchen ware and other general container can give more profitability. Research and development should be performed to bring efficiency in Production educating of operating cost.

Lastly, the company should improve itself by help of sales representative’s displays.

Similarly, MR.Keshaw Prasad Gadaula had researched on working capital management of NTDC as particle fulfillment of master's Degree of management. He concluded that risk, liquidity and return policy are the factors that determine the level of current assets. Heavy amount of current assets create more liquidity. So, the form can't maximize its profit. Growth in production and sales make growth in raw materials, inventories, which must require more working capital financing. The correlation between working capital and assets and working capital and net sales of NTDC is perfectly co-related.

Similarly, Mr. Roshan Kumar Dutta had also performed a research work on working capital management of Himalaya Soap and Chemical Industry Pvt. Ltd. The conclusion of this study is written as under.Cash and bank balance of AMIE Pharmaceutical Pvt.Ltd is minimum in comparison with the inventory is decreased which is better for the

company. The level of current assets depends upon its risk, liquidity position and return policy because more investment in current assets indicates more liquidity position but it can minimize profitability.

The level of current assets turnover ratio AMIE Pharmaceutical Pvt.Ltd are in fluctuating trend, which indicates unfavorable condition of the company because this ratio is less than average current assets turnover ratio of Nepalese Profit manufacturing concern this also shows unsound management of current assets in compared sales.

The current of AMIE Pharmaceutical Pvt.Ltd during the study period are more than 2:1 this indicates the company is in a position to pay Rs. 1 current obligation out of Rs. 2 investment in current assets. The overall position of firms is somehow appropriate. The quick ratio of AMIE Pharmaceutical pvt .Ltd.during the study period is higher than the standard 1:1. It indicates that to pay Rs.1 current obligation from more than Rs. 1 investment in quick assets. It is better from the creditor's point of view but over investment in quick assets would not increase profitability of the firm. So, it is not better for AMIE Pharmaceutical PVT .Ltd.

Net profit margin ratio shows the negative during the first four year of study period but suddenly positive in final year which is better for the company to get profit in the final year. Return on the assets shows negative trend during first four years and positive in final year.

RECOMMENDATIONS

If company's activities show the negative impact, it should borrow cash to make the strong liquidity position. The cash sales make the company strong liquidity position but the company should try to minimize the receivables without decreasing sales. The profitability of the company can only be maintained by investigating at least forty percent amount on current assets. The average collection period should be minimized.

Lastly, the company should improve its working capital position to do better progress in future.

The above review of literature from various books, journals and articles and desecrations related to the working capital management show that one the major problems in Nepalese corporations being unhealthy and unsound situation is improper management of working capital. Since the success and failure of any enterprises is heavily dependent upon the efficient management of working capital should be analyzed. Till now know any other study has been made for the analyses of working capital management in AMIE Pvt. Limited industry so, this study has industry by taking five years data for observation with the help of methodology as described in the following chapter.



Chapter -III

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In previous chapter, we discussed on working capital and review of related literature concern with the working capital management. In this chapter, we have discuss and highlight population and sample size, research design, research design, research, method, source of data and collection strategy, analysis of data and tools used and methods of data analysis.

3.2 POPULATION & SAMPLE SIZE

Population or universe refers to the group of people, events or things of interest that the Researchers wish to investigate. For example, if a student is interested in investigating the smoking habits of employees in factory, then all employees factory will form the population. 'Population may be Finite or infinite'. A finite population is one containing a fixed number of elements. But an infinite population is not countable. Sample frame is the lists of items in the universe. From which the sampling is drawn. Selecting a student from among student is known as sampling. So, it is a selection of population. All financial year from starting are the population of AMIE Pvt.Ltd. The data analyzed from Fiscal year 2064/065 to 2068/069 B.S. are only the sample.

It is very difficult to get the actual data. But audited data which are available are analyzed in this study. It is very difficult to analyze the data from the starting year. And the result can but obtained by taking consideration into the population. So, only the sample is used to analyze and perfection to this study. 'It is not always possible to study every time or elements in a Universe. So, the samples from total fiscal year's data are taken due to lack of time and money. Hints sampling becomes inevitable.

3.3 RESEARCH DESIGN

Research design means an overall frame work on plane for the activities to be undertaken during the period become the course of research study. It serves as frame work for the study, guiding the collection and analysis of the data, the research instruments to be utilized and the sampling to be followed. So, it is the arrangement of condition for analysis of data in a manner that aims relevancy for the search purpose with economy in procedure.

According to Karlinger (1986) describes research design as follows: Research design is the plan, structure and strategy of investigation conceived to control variance. It includes an outlines of what the investigator from writing the hypothesis and their operational implication to the final analysis of data. The structure of research design is more specific. It is outlines, the scheme, and the paradigm of the operation of the variables. When we draw diagrams that outlines the variables and there relation and juxtaposition, we build structural schemes for accomplishing operational research purpose. Strategy implies how the research objectives evil be reached and how the problems encountered in the research will be tackled.

It is taken into consideration to the efficiency and performance regarding the working capital management of Amie industries. This study are also trade mark comparison and to establish the relationship between two or more variables. By the help of this secondary data, the variables of Amie industries are analyzed in this study.

3.4 RESEARCH METHOD AND DATA COLLECTION STRATEGY

Research method refers to the way of collection of data of this factory. To conduct the good study to get better result, questionnaires and direct supervision are collected by this factory and secondary data are used. As

far as possible, the other spot study is also preformatted to get the better conclusion. Without the data collection procedure, the result may not be good and the result oriented. So, direct supervision and questionnaire are followed to analyze the working capital position of the AMIE Industry.

3.5 NATURE OF DATA AND COLLECTION PROCEDURE

The data are divided into two groups, Primary data, which are obtained by directing interviewing of the concerned person of the company. These data are essential to obtain the better result. This study is primary based upon the secondary data of the factory which are published by the factory during the fiscal year.

From this study, only the audited balance sheet, P/L account and other related data, which are secondary in nature and collected from the head office of the firm, are used Manager, Accountant and other personal of this factory helped to us obtain the data of AMIE Industry.

3.6 METHOD OF DATA ANALYSIS

In this topic the statistical and financial method of the available data to be analyzed of AMIE industry is discussed below.

Financial Analysis

Under this topic structure of working capital analysis, ratio analysis, cash flow analysis and trend analysis are discussed.

Ratio Analysis

Ratio analysis is the expression of one figure in terms of another. It is expression of the relationship between the mutually independent figures. It is simple mathematical experience of the relationship of new item to another. Absolute figure alone convey no meaning they are compared each other. Accounting ratio shows the relating existed among various accounting data. Ratio refers to the numerical and quantities relationship between two items or variable. In simple language, ratio is number

expressed in terms of another and can be worked out by dividing one item of the relationship with others.

In final analysis, ratio is used as a yardstick for evaluating the financial position and performance of the firm. It is a technique of analysis and interpretation of financial statement it helps to make decision as it helps to establish relationship between various ratios and interpret there on. According to Kohler, "a ratio is relationship of an amount another, expressed as the ratio of or as a simple fraction, integer, decimal fraction or percentage". According to Wixon, Kill and Bedford, "a ratio is expression of the quantitative relationship between two numbers".

3.6.1 STRUCTURE OF WORKING CAPITAL ANALYSIS

Under this structure of working capital analysis of current assets analysis of current assets to fixed assets cash and bank balance to current assets and total assets, inventory to current assets, analysis of net working capital, working capital financing and cash flow analysis are presented analyzed and interpreted.

A. Analysis of Current Assets to Total Assets

Analysis of current assets to total assets implies what percentage of the total assets is invested in the form of current assets. This ratio is calculated by:

$$\text{Current Assets to Total Assets} = \text{Current assets/Total assets}$$

If this ratio increases, the risk and profitability of the firm would decrease and decreasing ratio indicates the higher risk and profitability.

B. Current Assets to Fixed assets

The ratio between current assets to fixed assets determines the relationship between current asset and fixed asset, which can be calculated by:

$$\text{Current Fixed to Assets} = \text{Current assets/ Fixed assets} = \dots\%$$

Higher of this ratio indicates and the sound working capital position. We can measure the soundness and weakness of the firm by calculating current assets to fixed asset ratio.

C. Cash and Bank Balance to Current Assets

This ratio between cash and bank balance to current assets indicates the relationship between cash and bank balance to current assets. It is calculated by:

$$\text{Cash and Bank to Current Assets} = \frac{\text{Cash and bank balance}}{\text{Current assets}} = \dots\dots\dots\%$$

Higher of this ratio indicates idle cash is collected in the firm. So, higher of this ratio implies the poor cash management of the firm.

D. Cash and Bank Balance to Total Assets

This ratio represents the relationship between the cash and bank balance with total assets. So, it indicates that what percentages of total assets are invested in cash and bank balance. It is calculated by:

$$\text{Cash and Bank Balance to Assets} = \frac{\text{Cash and bank balance}}{\text{Total assets}} = \dots\dots\dots\%$$

If the ratio increases, risk and profitability would decrease. If it is increased, the working would also increase.

E. Debtor (Receivables) to Current Assets

This ratio indicates the relationship between the receivables to current assets. It is calculated by:

$$\text{Debtors (Receivables) to Current Assets} = \frac{\text{Debtor (Receivables)}}{\text{Current Assets}} = \dots\dots\dots\%$$

Increase in the ratio shows the inability of the firm to collect the receivable quickly and decreasing ratio is preferable which shows the ability of firm to collect receivables quickly.

F. Debtors (Receivable) to Total Assets:

Receivables to total assets indicate the relationship between receivable to total assets which is calculated as under.

Debtor (Receivable) to Total Assets = Receivable (Debtor)/ Total assets

Increase ratio implies the liberal credit policy and decreasing ratio implies the tight credit policy

G. Inventory to Current Assets:

Inventory is an inseparable part of working capital which represents the share of inventory on current assets. It is calculated by:

Inventory to Current Assets = Inventory/ Current assets
=%

Higher of this indicate the inventory policy followed by firm and lower ratio indicate the right inventory policy followed by the firm.

H. Inventory to Total Assets

This ratio of inventory to total assets indicates the proportion inverted in the form inventory of total. It is calculated by:

Inventory to Total Assets = Inventory / Total assets =%

If this ratio increase the working capital is also increase and the decreasing ratio indicates the decreasing working capital. Increasing ratio indicates the blockage of material in the factory and implies that factory uses liberal inventory policy.

I. Networking Capital Financing

Networking capital financing indicates the amount of networking capital, which can be invested in other aspects. Networking capital indicates total current assets less total current liabilities.

Networking capital financing = Total current assets - total current liabilities

Higher the networking capital, higher will be the possibility of idle Amount for financing. Financing is a good opportunity has been Profitable for the firm.

3.6.2 LIQUIDITY RATIO

Liquidity ratio measure the short term solvency of the firm. Under these, two ratios are computed as follows:-

A. Current Ratio: - It is test of liquidity and it shows the ability of the firm to meets it short term obligations.

$$\text{Current Ratio} = \text{Current assets} / \text{Current liabilities} = \dots\dots\dots\text{times}$$

B. Liquid/Quick/Acid Test Ratio: - Liquid ratio measures the short-term liquidity of the firm but it emphasis by instant debts paying capacity of the firm. Liquid assets include current less and prepaid expenses.

$$\text{Liquid ratio} = \frac{\text{Liquid/Quick asset}}{\text{Current Liabilities}} = \dots\dots\dots\text{times}$$

Its standard is 1:1 for better position.

3.6.3 PROFITABILITY RATIO

Generally profitability ratios are calculated either in relation to sales or in relation to investment. Under this following ratio should be analyzed.

A. Gross Profit Margin

Gross profit margin ratio expresses the relationship between gross profit and sales and usually in percentage.

$$\text{Gross Profit Margin} = \text{Gross profit} / \text{Sales} \times 100\% = \dots\% \text{times}$$

High gross profit ratio to sales is a sign of good management that implies the cost of production is lower.

B. Net Profit Margin

This ratio measures the overall profitability of the by establishing the relationship between the net profit and total sales.

Gross Profit Margin= Net profit/ Sales x 100% = ...% times.

A high net profit margin would enable the firm to with stand adverse economic condition and a low margin will have opposite implication.

C. Return on Total Assets

This ratio measures the productivity of the assets, which measures the relationship between the net profit and assets.

Return on Total Assets = Net profit after Tax/Sales x100% =... % times

A higher ratio shows the higher return on assets use in the business thereby indicating effective use of the resources available and vice versa.

D. Return on Current Assets

Return on current assets indicates the relationship between net profit after tax and current assets. It measures the profit of the firm with respect to total current assets. So, it measures the effectiveness of the utilization of the current assets. It can be calculated by:

Return on Current Assets = Net profit after tax/ Total Current Assets =...times

Increasing the ratio indicates the effective utilization of working Capital to earn profit.

3.6.4 ACTIVITY RATIO

Activity ratio is including the following ratios.

A. Inventory Turnover Ratio

Inventory turnover ratio explains whether investment in inventory is within proper limits or not. It indicates marketability of inventory and reasonableness of quantity on hand.

Inventory Turnover Ratio = inventories/ Sales = Times.

A high inventory turnover ratio indicates efficient management of inventory because more frequently the stacks are sold the lesser amount of capital is required to finance the inventory.

B. Receivables Turnover Ratio

This ratio indicates the velocity of debt collection of a firm. In other words, it indicates the numbers of time average debtors are turned over during a year. It is calculated by:

Receivables Turnover Ratio = Debtors (receivables) / Sales = ...times
Higher the value of debtor turnover ratio is more efficient management of debtors.

C. Average Collection Period

Average collection period is calculated is to know the average number of days or months for which a firm has to wait before trade debtors are converted into cash.

Average Collection Period = Days in a year / Debtor turnover ratio
=Days

Shorter the collection period is better for the concerned firm.

D. Fixed Assets Turnover Ratio

Analysis of Current Assets to total assets indicates the extent to which the investment in fixed assets contributes towards sales.

Net fixed Turnover ratio = sales/ Net fixed assets =Times

Where, Net fixed Assets = Total Assets - Depreciation

Higher fixed assets turnover ratio turnover ratio indicates better business performance and lower ratio, inefficient utilization of available of fixed assets.

E. Total Assets Turnover Ratio

Total turnover ratio is the relationship between total sales and total net assets.

Total Assets Turnover Ratio = Sales/ Total net assets =time

Where, Total Net Assets = Current Assets Fixed Assets+Intangible Assets (-) less Depreciation write off.

Higher total turnover ratio indicates the proper utilization of the firm's assets.

F. Net Working Capital Turnover Ratio

Networking capital turnover ratio is related to sales. It implies the velocity of utilization of working capital. It is calculated by:

Net working Capital Turnover Ratio = sales / Net working capital
=Times

Lower the turnover ratio in of working capital and higher shows the effective management of working capital.

3.6.5 CASH FLOW ANALYSIS

Cash is lifeblood of any business organization. Without cash no business activities can be taken place. Cash flow statement provides relevant information about cash receipts and payment of an enterprise during a period. Information about an enterprise cash flow is useful in addressing its liquidity, flexibility, profitability and risk. So, cash flow statement is widely used by investors, creditors, and managers and other. The direct minted of cash flow is used in this study.

3.6.5 TREND ANALYSIS

Trend analysis is a powerful financial tool to know the financial position of the firm. In this research work, trend percentage is calculated treating from fiscal year 2064/65 years.

3.7. STATISTICAL METHODS

In spite of statistical analysis, the mean correlation coefficient, bar graph and probable error used to analysis the AMIE Pharmaceutical Production(s) Pvt.Ltd.

3.7.1 ARITHMETIC MEAN (AVERAGE)

The most popular and common used in an average which represents an entire data by a single value. It is the true obtained, adding together all

items and dividing this total by no. of items observed. Average provides us the guess and gives an average view of the mass of unwieldy numerical data. It can be commuted by using following formula.

$$\bar{X} = \frac{\sum x}{N}$$

Where, X = mean (Average) of taken times

x = Sum of all the values of taken items.

N = no. of items observed

3.7.2 BARGRAPHS

Bar is statistical tools to analyzer different component in one graph. It helps to find out the investment made on different assets and liabilities. In other words, it means the presentation of data in the form of graph. It tries to judge the variability of one variable in relation to the variation of another variable. Amount investment in respect to time period is under taken in the study.

Figures also tell us the relationship of various attributes which help to conclude that the factors are related with other or not.

3.7.3 CORRELATION ANALYSIS

Correlation Analysis is a tool to describe the relation of an item to the items to calculate it the following formula is used.

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum y)^2}}$$

Where, R = correlation between dependent and in depended variables

N = No. of observation.

The value of relies in between -1 and +1 where r= 1, it implies the perfectly positive correlation and r = -1 indicates the perfectly negative correlation and r = 0 i.e. indicates no relation between the variations.

3.7.4 PROBABLE ERRORS

Probable errors are a statically tool to calculate the relationship between two variables. To calculated it, we use.

$$PE = \frac{0.6745(1-r^2)}{\sqrt{N}}$$

Where,

PE = probable error

R = correlation between two variables

N = no of observations

If the correlation r is less than PE, it is all significant and if r is more than PE that, there is correlation. If r is rime than 6 times of PE then the relation is considered as Significant.



Chapter-IV

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

The main object of this study is to know the working capital structure of AMIE product(S) PVT. LTD. The data are presented and analyzed in the chapter. This chapter deals about the actual study of working capital structure of AMIE product(S) PVT.LTD.to evaluate analysis and interpret the working financial audited reports from liquidity, turnover position and profitability position with the help of ratio analysis as well as various financial tools and statistical stool.

4.1.1 ANALYSIS OF CURRENT ASSETS

The main component of the business is current assets, which are needed to run day- to – day business activities. The total sum of current assets is amount of working capital needed and the size of the enterprises. The sum of cash, marketable bills receivable inventories is the requirement of each and every organization to operate the organization day-today operation smoothly. Sum of these assets are regarded as current assets. In these words, the assets or the source of capital which are converted into cash within an accounting period usually a year of the business? In summary “those assets which are expected to be realized in cash within relatively short period of time usually one year are current assets.”

A firm needed cash to purchase raw materials pay expenses, this is because of not perfect matching between cash inflow and out flow. Cash also may be held to meet the future expenses. The stocks raw materials are kept in order ensure the smooth production and to protect the risk of non- available of row materials. To meet this obligation also cash in needed.

Any business organization aims to maximum return on shareholder investment. In order to accomplish objective, the business organization should earn sufficient returns for its operation. Earning a steady amount of profit requires successful sales. So that the sales to invest enough funds in current assets for the success of assets. As the sales do not convert into cash instantly the extra amount of working capital is needed.

The efficient management of current assets is an integral part of overall financial management and has a greater impact on maximization of owner's capital. In this context, it is necessary to have proper analysis of current assets of industries reflected the nature of performance and operation of its management.

The management of the company should be alert and conscious to invest in current assets. Through proper analysis should be needed, so the strike attention upon current assets should be needed, so overall current assets are firstly

Table-1

AMIE Product(s) Pvt. Ltd.

Analysis of current Assets

Particular	064/65	065/66	066/67	067/68	068/69
Inventories	52,58,362	51,24,041	70,50,497	99,85,827	99,92,833
Percentage on current assets	86.2%	75.64%	76.19%	93.59%	83.27%
Sundry Debtors	6,13,735	14,50,099	19,87,254	2,66,336	17,13,096
Percentage on current assets	10.06%	24.41%	21.48%	2.5%	14.27%
Cash in hand and bank	1,40,970	77,902	49,523	1,53,314	99,098
Percentage on current assets	2.32%	1.15%	0.54%	1.44%	0.66%
Prepaid Expense	84,500	1,22,500	1,65,505	264,356	2,15,374
Percentage on CA	1.39%	1.81%	1.79%	2.48%	1.8%
Total in Amount	60,97,569	67,74,543	92,52,779	106,69,833	120,00,401
Total Percentage	100%	100%	100%	100%	100%

Source: Appendix A

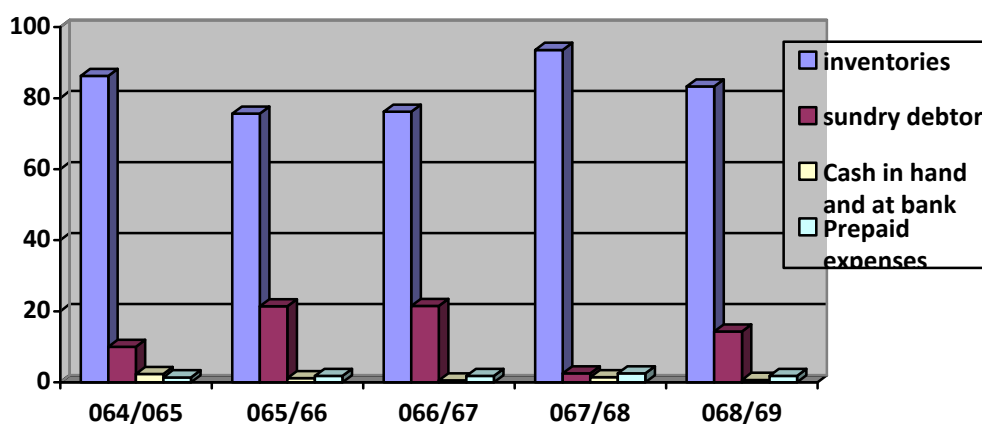
The above table -1 show the current assets position of AMIE product (S) PVT. Ltd. These tables' shows the investment pattern in current assets and inventories and sundry debtors have been founded major in comparison with bank and prepaid and sometimes investment made on inventories is higher and sometimes investment made in sundry debtors is higher. Investment on cash and bank balance is one third in previous 2 years then, investment made on prepaid express keeps the 3rd position.

The percentages share of inventories in total current assets indicates that is increase and decreasing that is fluctuation. The percentage of inventories in 068/069 seems maximum and 065/066 seems minimum the higher percentage indicates the low inventories turnover ratio vice versa.

Sundry debtors occupy other major investments made on current assets. It is also in fluctuating trends in previous three years and decreasing in last two years. The increasing volumes indicate the large sales and low volume debtors indicate the comparatively low sales volume. It shows inefficiency in first three years and in last three years, the firm is able to collect the debtors. It is decreasing the risk on the firm in last three years. Cash bank balance is also decreasing trend. Low percentage of cash shows the higher stock turnover of stock realization of more cash and sound liquidity of firm.

Prepaid expenses are a major investment made on current assets. It is increasing in trend from last 3 years. The higher percentage of prepaid indicates the favorable condition to the firm. The extent of the component of current assets can show in the bar graph as below.

Graph-1



From this graph, we know that the firm has invested more inventories and sundry debtor (receivables). In the year 066/67, sundry debtors are more than other current assets. At the last year of study period, it invested more on inventories in comparison with other current assets.

4.2 STRUCTURE OF WORKING CAPITAL

4.2.1 Current Asset to total Asset

The ratio on total assets is calculated to know the liquidity position of the firm because higher percentage of current assets on total assets indicates higher liquidity position of the firm as well as lowers the risk of being liquidation and involvement. So, current assets on total assets are analyzed as under

TABLE -2
AMIE Product (S) Pvt. Ltd.
Percentage of current assets to total assets Ratio

YEAR	Current Assets	Total Assets	Ratio (%)	Change (%)
064/065	60,97,569	71,24,019	85.60	—
065/066	67,74,542	76,71,357	89.00	3.40
066/067	92,52,779	101,92,392	90.79	1.79
067/068	106,69,833	108,47,272	98.37	7.58
068/069	120,00,401	159,99,594	75.01	(23.36)
Total	447,95,124	518,34,634	438.77	
Average	89,59,024.8	103,66,926.8	87.754	

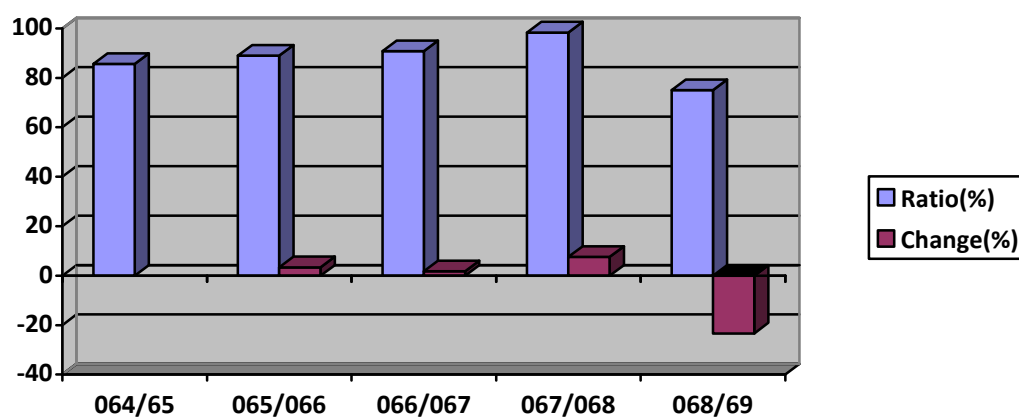
Source: Appendix: A

This ratio represents the proportion of current assets of investment to total assets investment of AMIE products Pvt. Ltd for selected five years study period. The above table (Table - 2) shows that the proportion of current asset on total assets is fluctuating trend. Current assets are increased by 3.4% in the year 065/066. The increasing trend shows that the firm more on sundry debtors and inventories in the increasing year and vice versa. In average 87.754% are current assets on total assets.

In a average there are 87.754% of Current assets on total assets high level of current assets indicate liquidity position but it adversely affects the profitability of the company because idle money can earn nothing. The trend on the relationship between current assets and total assets is generally increasing and decreasing.

This can be presented in the Bar graph below.

Graph 2



From this graph the in current asset more than invest in fixed assets. The firm has invested more on current assets. It indicates the liquidity position on the firm is better from the year 064/65 to 067/68 in increasing trend.

In order to test relationship between assets and total assets Ker Person's correlation coefficient is computed below.

Computation of correlation coefficients in order to test relationship between current asset to total asset.

Table 3

(In Lakhs)

YEAR	CURRENT ASSETS(X)	TOTAL ASSETS(Y)	X.Y	X ²	Y ²
064/65	60.97	71.24	4,343.51	3,717.34	5,075.14
065/66	67.75	76.71	5,197.11	4,590.07	5,884.43
066/67	92.53	101.92	9,430.66	8,561.80	9,430.66
067/68	106.69	108.47	11,572.67	11,382.76	11,572.67
068/69	120	159.99	19,198.80	14,400	19,198.80
	x = 447.94	y = 518.33	X.Y = 49,742.75	X² = 42,651.97	Y² = 58,709.79

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 49,742.75 - (447.94 \times 518.33)}{\sqrt{5 \times 42,651.97 - (447.94)^2} \times \sqrt{5 \times 58,709.79 - (518.33)^2}}$$

$$R = \frac{2,48,713.75 - 2,32,180.74}{\sqrt{2,13,259.85 - 2,00,650.25} \times \sqrt{2,93,548.95 - 2,68,665.99}}$$

$$R = \frac{16,533.01}{112.29 \times 157.74}$$

$$R = 0.94$$

Whereas,

$$PE = 0.6745(1-r^2) / \sqrt{N}$$

$$= 0.6745\{1-(0.94)^2\} / \sqrt{5}$$

$$= 0.6745 \times .11 / 2.2361$$

$$\therefore Pe = 0.0332$$

The correlation coefficient shows the correlation between current assets and total assets is significant and r is actually six times greater than PE, the relationship is to be significant. The correlation coefficient shows the

correlation between current assets and total assets is significant and the relationship is to be significant.

4.2.2 CURRENT ASSETS TO FIXED ASSETS

The ratio of the current assets on fixed assets is calculated to know that percentage change on current asset to fixed assets.

Table 4 (In Lakhs)

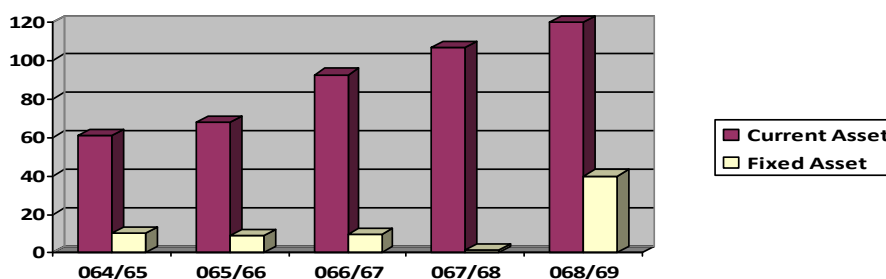
YEAR	CURRENT ASSETS	Fixed ASSETS	Ratio (%)	Change (%)
064/65	60.97	10.26	594.25	—
065/66	67.75	8.97	755.29	161.04
066/67	92.53	9.39	985.41	230.12
067/68	106.69	1.77	6027.69	5042.28
068/69	120	39.99	300.08	(5727.61)
Total	447.94	70.38	8662.72	—
Average	89.59	14.08	1732.54	—

Source: Appendix: A

This ratio represents the investment made on current assets of fixed assets for the selected five years. The ratio increased for first 4 years and decrease in 068/69. The overall ratio shows that investment in current assets in comparing with its fixed assets is favorable of AMIE product(S) Pvt.

This can be presented in the bar graph as below

Graph-3



The investment made on fixed assets is lower in comparison with current assets. It is more in year 068/069 and lower in year 064/065. It is clear that firm is investing more in current assets than fixed assets.

In order to test relationship between current assets and fixed assets the Karl Person's correlations coefficient is used.

**Table 5
Computation Correlation Coefficients
In order to test relationship between
Current asset to fixed asset. (In Lakhs)**

YEAR	CURRENT ASSETS(X)	FIXED ASSETS(Y)	X.Y	X ²	Y ²
064/65	60.97	10.26	625.56	3717.34	105.27
065/66	67.75	8.97	607.72	4590.07	80.46
066/67	92.53	9.39	868.86	8561.80	88.18
067/68	106.69	1.77	188.85	11382.76	3.14
068/69	120	39.99	4798.80	14400	1599.20
	x=447.94	y = 70.38	X.Y= 7089.97	X ² = 42651.97	Y ² = 1876.25

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 7089.97 - (447.94 \times 70.38)}{\sqrt{5 \times 42651.97 - (447.94)^2} \times \sqrt{5 \times 1876.25 - (70.38)^2}}$$

$$R = \frac{35,449.85 - 31,508.43}{\sqrt{213,259.85 - 200,426.34} \times \sqrt{9381.25 - 4953.35}}$$

$$R = \frac{3941.42}{113.285 \times 66.542}$$

$$R = 0.52$$

Whereas,

$$P_E = 0.6745(1 - r^2) / \sqrt{N}$$

$$= 0.6745\{1 - (0.52)^2\} / \sqrt{5}$$

$$= 0.6745 \times 0.73 / 2.2361$$

$$\therefore P_e = 0.22$$

The Correlation coefficient shows the correlation between current assets and total assets is significant and r is actually six times of PE , the relationship is to be significant.

4.2.3 CASH AND BANK BALANCE TO CURRENT ASSETS

Transactional motive, precautionary and speculative motive cash is should by any firm so, for the daily requirement such as payable, purchase raw materials, debts ,cash balance should be maintained table 6 represented the proportion of cash and bank to current assets.

Table 6

AMIE Product (S) Pvt. Ltd
Cash and Bank Balance to Current assets Ratio
(In Lakhs)

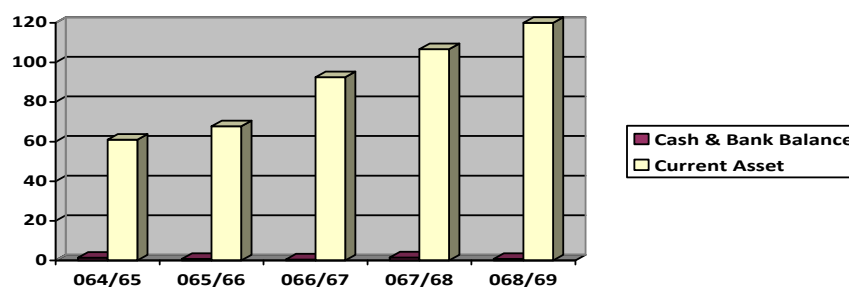
YEAR	Cash & Bank Balance	Current Assets	Ratio (%)	Change (%)
064/65	1.41	60.97	2.32	—
065/66	0.78	67.75	1.75	(0.57)
066/67	0.50	92.53	0.54	(1.21)
067/68	1.53	106.69	1.44	0.9
068/69	0.79	120	0.66	(0.78)
Total	5.01	447.94	6.71	—
Average	1.01	85.59	1.35	—

Source: Appendix: A

The ratio is in fluctuating trend. In the year 067/68 the cash and bank balance higher (i.e.106.69) in comparison with other years of study period. From the year 066/67 the cash and bank balance minimum which shows the lower liquidity position of the industry. At the last year of study period it is only 0.66%.In other, it shows the poor cash and bank balance.

It can be presented in Graph as below

Graph-4



From this graph, it seems that the firm has investment little on cash& bank balance. It is very low in amount then it cannot be show in the above bar graph from the year 064/65 to 068/69.

To know the relationship Karl Person's correlation coefficient is computed.

Table 7
Computation Correlation coefficients
In order to test relationship between
Cash and Bank Balance to Current assets (In Lakhs)

YEAR	CASH & BANK BALANCE(X)	CURRENT ASSETS(Y)	X.Y	X ²	Y ²
064/65	1.41	60.97	85.97	1.99	3717.34
065/66	0.78	67.75	52.85	0.61	4590.07
066/67	0.50	92.53	46.27	0.25	8561.80
067/68	1.54	106.69	163.24	2.34	11382.74
068/69	0.79	120	94.80	0.63	14400
Total	x= 5.01	y = 447.94	X.Y = 443.13	x ² =5.82	Y ² =42651.97

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \times \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 443.13 - (5.01 \times 447.94)}{\sqrt{5 \times 5.82 - (5.01)^2} \times \sqrt{5 \times 42651.97 - (447.94)^2}}$$

$$R = \frac{2215.65 - 2244.18}{-4.78 \times 12609.60}$$

$$R = \frac{28.53}{2.186 \times 112.292}$$

$$R = 0.12$$

Whereas,

$$P_E = 0.6745(1-r^2) / \sqrt{N}$$

$$= 0.6745\{1-(0.0098)^2\} / \sqrt{5}$$

$$= 0.6745 \times 0.96 / 2.2361$$

$$\therefore P_e = 0.29$$

The correlation is positive between current assets to cash and Bank balance but the relation is not significant because r is not six times greater than of PE.

4.2.4 CASH AND BANK BALANCE TO TOTAL ASSETS.

For transactional motive, precautionary and speculative motive cash is held by any firm. So, the daily requirement should be maintained by cash and bank balance to total assets.

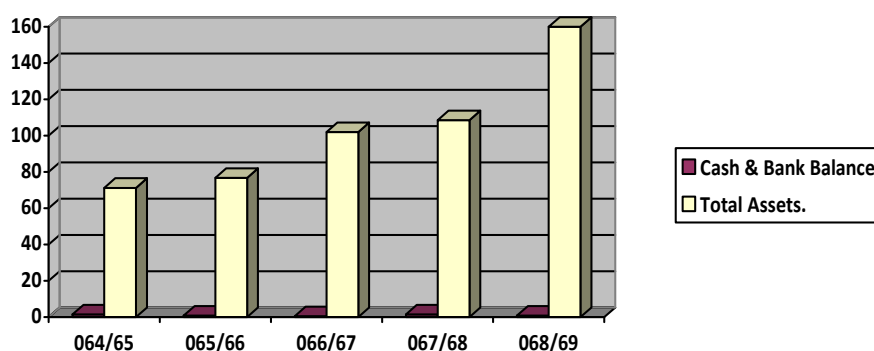
Table 8
AMIE Product (S) Pvt. Ltd
Analysis of cash and bank balance to total assets Ratio
(In Lakhs)

YEAR	CASH & BANK BALANCE	TOTAL ASSETS	Ratio (%)	Change (%)
064/65	1.41	71.24	1.98	—
065/66	0.78	76.71	1.02	(0.96)
066/67	0.50	101.92	0.49	(0.53)
067/68	1.53	108.47	1.41	0.92
068/69	0.79	159.99	0.49	(0.92)
Total	5.01	518.33	5.39	—
Average	1.002	103.67	1.078	—

Source: Appendix: A

The trend is in decreasing because investment made in Cash & Bank Balance and fixed assets are increasing. In this way, the company bought products on cash. In the years 064/065, the ratio is 1.98% which is highest in the ratio is in the year 066/67 and 068/69 is 0.49% which is lowest. This can be shown in bar graph here under.

Graph 5



From this graph the firm has environment little on cash bank balance comparing with total. So it is very low in amount then it cannot be shows in there above bar graph.

To known the relationship between cash and balance to total assets can be computed by using Karl Person's correlation coefficient.

Table 9
Computation Correlation coefficient
In order to test relationship between
Cash and Bank Balance to Total assets (In Millions)

YEAR	Cash & Bank Balance (X)	TOTAL ASSETS(Y)	X.Y	X ²	Y ²
064/65	1.41	71.24	100.45	1.99	5075.14
065/66	0.779	76.71	59.76	0.61	5884.42
066/67	0.459	101.90	50.96	0.25	10387.6
067/68	1.533	134.77	165.96	2.34	11765.74
068/69	0.790	159.99	126.39	0.63	25,596.80
	x= 5.01	y = 518.33	x.y = 503.52	x ² = 5.82	y ² = 58,709.70

Source:-Appendix:-A

We know that,

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 503.52 - 5.01 \times 518.33}{\sqrt{5 \times 5.82 - (5.01)^2} \sqrt{5 \times 58,709.70 - (518.33)^2}}$$

$$R = \frac{2517.60 - 2596.83}{4 \times 24882.52}$$

$$R = \frac{-79.23}{315.48}$$

$$R = -0.25$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(-0.25)^2\}}{5}$$

$$= 0.28$$

The relation is not signification because r is not six time greater than of

P_E.

4.2.5 A/C RECIEVABLES TO CURRENT ASSETS

Receivables mean the amount should be receivable from customers who have bought goods on Credit, So it current assets. These account receivable are also called receivable or Debtor.

In this comparative world, the credit of a firm plays key role to develop and expansion of the market. The firm of enterprises should increase its sales volume to obtain profit and maximize the shareholder wealth. The enterprises should merge receivable properly. The firm should determine the optimum receivable results unnecessary holding of working capital allow degree causes negative result in sales. The following table shows the proportion of debtors to the current assets.

Table 10
AMIE Product (S) Pvt. Ltd
Receivable to Current assets

(In Lakhs)

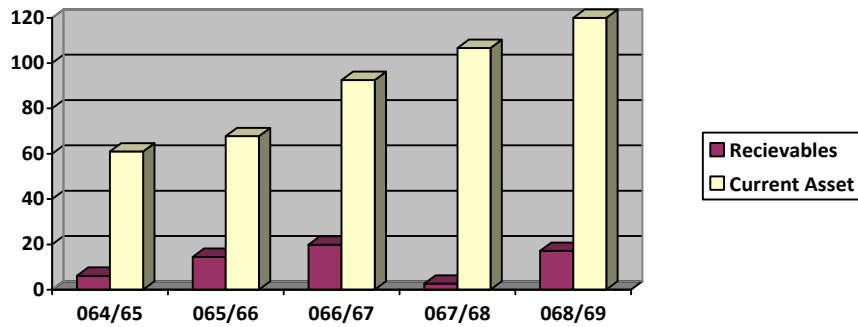
YEAR	RECIEVABLES	CURRENT ASSETS	Ratio (%)	Change (%)
064/65	6.14	60.97	10.07	—
065/66	14.50	67.75	21.40	11.33
066/67	19.87	92.53	21.47	0.07
067/68	2.66	106.69	2.49	(18.98)
068/69	17.13	120	14.27	11.78
Total	60.30	447.94	69.7	—
Average	12.06	89.59	13.94	—

Source: Appendix: A

From the above table, the ratio on receivable to current assets is fluctuating in rend. The highest ratio is in the year 2066/067 which is 21.47% and in the year 2065/066, it is 21.4%. In the 2nd last of the study period i.e. 2067/068, it is decreased and becomes 2.49%, it indicates that the firm is decreasing the receivable.

This can be shown in the bar graph here under.

Graph 6



Firm this figure, we know the investment made on receivables by current assets. It is greater in the year 2066/067. It is increased in as well as decreased other time. So, it is in fluctuating trend.

To know the relationship between Receivables to Current Asset can be illustrate by Karl Person's correlation. It is in the table below.

Table 11
Computation Correlation coefficients
In order to test relationship between
Receivable to current assets

(In Lakhs)

YEAR	RECEIVABLE (X)	CURRENT ASSETS(Y)	X.Y	X ²	Y ²
064/65	6.14	60.97	374.36	37.69	3717.34
065/66	14.50	67.75	982.38	10.25	4590.07
066/67	19.87	92.53	1838.57	394.82	8561.80
067/68	2.66	106.69	283.79	7.08	11382.76
068/69	17.13	120	2055.60	293.44	14400
	x= 60.30	y = 447.94	X.Y = 5534.70	X ² = 943.28	Y ² = 42,651.97

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 5534.70 - 60.30 \times 447.94}{\sqrt{5 \times 943.28 - (60.30)^2} \times \sqrt{5 \times 42651.97 - (447.94)^2}}$$

$$R = \frac{27673.50 - 27010.78}{1080.31 \times 12609.60}$$

$$R = \frac{662.72}{32.868 \times 112.292} \therefore R = 0.17$$

$$\begin{aligned}
 & \text{Whereas,} \\
 P_E &= \frac{0.6745(1-r^2)}{N} \\
 &= \frac{0.6745\{1-(0.17)^2\}}{5}
 \end{aligned}$$

$$\therefore P_e = 0.29$$

The relationship between current assets to receivables is positive. But it is significant that r is six times greater than P_E .

4.2.6 INVENTORY TO CURRENT ASSETS

Inventory is a major part of current assets. It is so much important for manufacturing industry like AMIE Pvt. Ltd. The inventory should not be higher because higher inventory implies lower sales.

Inventory should be made as per requirement. The ratio between inventories to current assets is presented below to understand clearly the investment in inventory by AMIE Pvt. Ltd.

Table -12

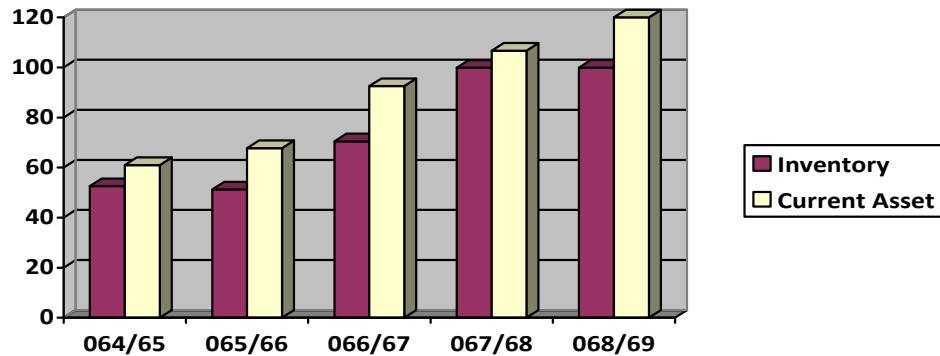
YEAR	INVENTORY	CURRENT ASSET	Ratio (%)	Change (%)
064/65	52.58	60.97	86.24	—
065/66	51.24	67.75	75.63	(10.61)
066/67	70.50	92.53	76.19	0.56
067/68	99.85	106.69	93.58	17.39
068/69	99.92	120	83.27	(10.31)
Total	374.09	447.94	414.91	—
Average	74.82	89.59	82.98	—

Source: Appendix: A

The above table shows the percentage of inventory with respect to current assets. In fiscal year 2067/068 is 93.58 % which is highest whereas 75.63% in the year 065/66 is lowest. The ratio is in the fluctuation trend. Sometimes the firm uses liberal Policy. Sometimes it uses the tight inventory policy. Tight inventory Policy can be seen in the year 065/66

on which the ratio is only 75.63% which is low in this can be shown graph below.

Graph 7



This bar graph shows the share of investment of the firm on inventories from current assets. It shows the heavier inventory in the year 068/69 and lowest inventory in the year 065/66. It is increasing trend. Increasing investment on inventories shows the decreasing in the assets. In other to test between Inventory and Current Asset of AMIE Pvt. Ltd. during the study period, Karl Person's correlation coefficient is calculated below.

Table 13

(In Lakhs)

YEAR	INVENTORY (X)	CURRENT ASSET(Y)	X.Y	X ²	Y ²
064/65	52.58	60.97	3205.80	2764.65	3717.14
065/66	51.24	67.75	3471.51	2625.54	4590.07
066/67	70.50	92.53	6523.36	4970.25	8561.8
067/68	99.85	106.69	10653	9970.02	11382.76
068/69	99.92	120	11990.4	9984	14400
Total	x = 374.09	Y = 447.94	XY = 35844.07	X ² = 30314.46	Y ² = 42651.97

Source:-Appendix:-A

We know that,

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 35844.07 - (374.09 \times 447.94)}{\sqrt{5 \times 30314.46 - (374.09)^2} \times \sqrt{5 \times 42651.97 - (447.94)^2}}$$

$$R = \frac{179220.35 - 167569.87}{11628.97 \times 12609.60}$$

$$R = \frac{11650.48}{107.838 \times 112.292}$$

$$\therefore R = 0.962$$

$$P_E = \frac{\text{Whereas, } 0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1 - (0.962)^2\}}{5}$$

∴ $P_e = 0.023$

The correlation coefficient is significant because r is six times greater than P_E .

4.2.7 INVENTORY TO TOTAL ASSETS

Inventory is the major current assets of firm the for the factory as AMIE Pvt. Ltd. must give importance to the inventory. They require amount of inventory should be kept which can maintain good relation to the customers. If the stock increases, it creates problems to the customers at heavy demand. 'So it should be optimum for the firm can use different for optimum inventory management model for this purpose. It can be presented by the table.

Table 14 (In Lakhs)

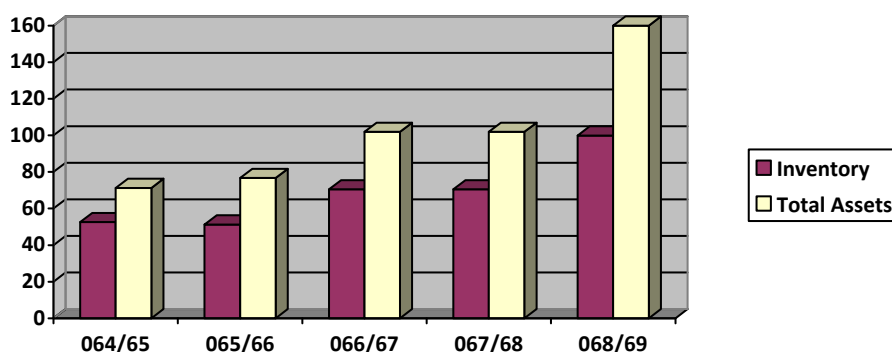
YEAR	Inventory	Total ASSETS	Ratio (%)	Change (%)
064/65	52.58	71.24	73.81	—
065/66	51.24	76.71	66.79	(7.02)
066/67	70.50	101.92	69.18	2.39
067/68	99.85	108.47	92.05	22.87
068/69	99.92	159.99	62.45	(29.6)
Total	374.09	518.33	364.28	—
Average	74.82	103.67	72.86	—

Source: Appendix: A

The above tables show the peroration of investment on inventory form total assets. The ratio on the years 067/68 is highest i.e.92.05 % and the year 068/69 i.e. 62.45% is lowest. In this way, the factory is investing more on inventory. So, the factory is not maintaining the efficient management of inventory. In this way the factory is not able understand it and take corrective action.

This can be shown in the bar graph under.

Graph – 8



This bar graph shows the share of investment of the firm on inventories from current assets. It shows the heavier investment on inventory on the year 068/69 and lowest investment on inventory in the year 065/66. It is increasing trend. Increasing investment on inventories shows the decreasing in the total assets.

To know the relationship between inventories to total assets can be calculated by using Karl Person's correlation coefficient. It is calculated below.

Table 15

(In Lakhs)

YEAR	INVENTORY(X)	TOTAL ASSETS(Y)	X.Y	X ²	Y ²
064/65	52.58	71.24	3745.80	2764.65	5057.14
065/66	51.24	76.71	3931.39	2625.54	5884.42
066/67	70.50	101.92	7185.36	4970.25	10387.61
067/68	99.85	108.47	10830.73	9970.02	11765.74
068/69	99.92	159.99	15986.20	9984	25596.80
	x = 374.09	y = 518.33	X.Y = 41679.48	X ² = 30314.46	Y ² = 58709.70

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 41679.48 - 374.09 \times 518.33}{\sqrt{5 \times 30314.46 - (374.09)^2} \sqrt{5 \times 58709.70 - (518.33)^2}}$$

$$R = \frac{208397.40 - 193902.07}{\sqrt{11628.27} \sqrt{24882.52}}$$

$$\therefore R = 0.85$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$
$$= \frac{0.6745\{1-(0.85)^2\}}{5}$$

$$\therefore P_e = 0.084$$

The correlation coefficient is significant because r is six times greater than P_E .

4.2.8 Analysis of Networking Capital and working capital Financing

Networking capital earns the different between current assets and current liabilities. To know the working capital of AMIE Pvt. Ltd., it can present in as follows.

Table 16 (In Lakhs)

YEAR	Current Assets (A)	Current Liabilities(B)	Networking Capital(A-B)
064/65	60.97	23.92	37.05
065/66	67.75	27.22	40.53
066/67	92.53	47.56	44.97
067/68	106.69	47.03	59.66
068/69	120	92.59	27.41

Networking capital of AMIE Pvt. Ltd. it is fluctuating trend. Its current liabilities are not increased as proportional change in current assets. Since this firm buy goods on cash. This slows that risk is avoided by the firm. The networking capital can be financed by firm is profitable investment and increase in its profitability.

4.3 LIQUIDITY POSITON

Liquidity means the ability of the firm to meet the obligation in short period. Each and every firm should maintain the liquidity in order to face the current obligation .So; it is the pre -requisite of any firm. In order words, liquidity should maintain efficient management job current assets

and current liabilities. Excess of liquidity is so danger for the firm or the very high liquidity can brings great risk to the firm.

4.3.1 CURRENT ASSETS TO CURRENT LIABILITIES RATIO

Current ratio is used to measure the liquidity of the firm. It is also defined as the ratio between the current Assets and current liabilities. The current ratios of AMIE Pvt. Ltd. are presented below.

Table-17

AMIE Pvt .Ltd

Current assets to current liabilities

(Amount in lakhs)

Year	Current Assets(A)	Current Liabilities(B)	Ratio
064/65	60.97	23.92	2.548
065/66	67.75	27.22	2.4889
066/67	92.53	47.56	1.9455
067/68	106.69	47.03	2.2686
068/69	120	92.59	1.2960
Total	447.94	238.32	10.547
Average	89.59	47.66	2.1094

Source:-Appendix:-A

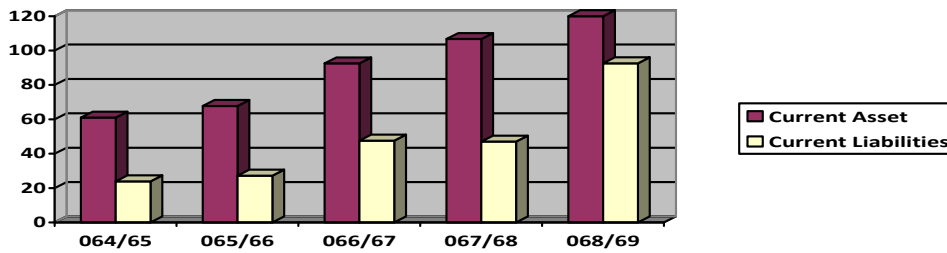
Higher current ratio indicates the larger amount or rupees available per rupees of current liability; the more than firm's ability to meet the current obligation.

Current ratio 2:1 is said to be optimal. It measure rupees to of current assets should available for a rupee of current liability. It is also said that if the current ratio of the firm is less than 2:1, then the firm has invested more in current assets. Idle current assets do not produce more return which blocks the profit ability of firm.

Form the table 17, in the first year. The firm can maintain more liquidity which is not favorable for the firm. That is way excess current assets investment was made. Large money is blocked. So it is not better for the firm. In order fiscal year the ratio is a little but higher than standard level.

This can be shown in the bar graphs below.

Graph-9



Above the graphs shows that the firm has excessive current assets, it should be managed in better way in coming year. To test the relationship between current assets and current liabilities of AMIE Pvt.Ltd. Karl person's coefficient is calculated.

Table -18

AMIE Pvt. Ltd.
Current assets of current liabilities
(Amount in lakhs)

Year	Current Assets(x)	Current Liabilities(y)	x.y	X ²	Y ²
064/65	60.97	23.92	1458.40	3717.34	572.17
065/66	67.75	27.22	1844.16	4590.07	740.93
066/67	92.53	47.56	4400.72	8561.80	2261.96
067/68	106.69	47.03	5017.63	11382.76	2211.82
068/69	120	92.59	11110.80	14400	8572.91
	x= 447.94	y = 238.32	x.y= 23831.71	X ² = 42651.97	Y ² =14359.79

Source:-Appendix:-A

We know that,

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 23831.71 - 447.94 \times 238.32}{\sqrt{5 \times 42651.97 - (447.94)^2} \times \sqrt{5 \times 14359.79 - (238.32)^2}}$$

$$R = \frac{119,158.55 - 106,753.06}{12609.60 \times 15002.53}$$

$$R = \frac{12405.49}{112.292 \times 122.48}$$

$$\therefore R = 0.90$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(0.90)^2\}}{5}$$

$$\therefore P_e = 0.0573$$

The shows that correlation coefficient is positive and perfectly correlated.

Whereas r is six times greater than P_E. So the relationship is significant.

4.3.2 QUICK/ACID TEST RATIO

Quick ratio is also calculated to know the liquidity of any firm. It measures the capacity of a firm to pay current liability immediately. It is also a measurement of a company's ability to convert assets quickly into cash to meet current liabilities. Quick assets include all items excluding inventory and prepaid expenses. Its standard is 1:1: it means that a rupee of quick liability should be equal a rupee of quick assets. The quick ratio of AMIE Pvt. Ltd. during five year period is presented in table No.19 below.

Table-19

AMIE Product (S) Pvt. Ltd
Quick assets to current liabilities
(Amount in Lakhs)

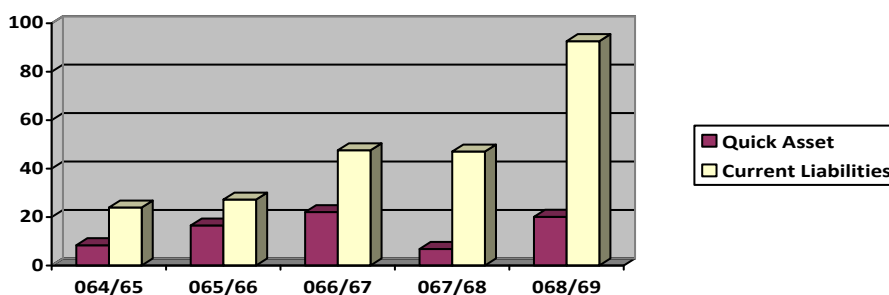
Year	Quick Assets(A)	Current Liabilities (B)	Ratio
064/65	8.39	23.92	0.3507
065/66	16.51	27.22	0.6065
066/67	22.03	47.56	0.46320
067/68	6.84	47.03	0.1454
068/69	20.07	92.59	0.2167
Total	73.84	238.32	1.7825
Average	14.77	47.664	0.3565

Source: Appendix: A

Form above table, the quick ratio of AMIE Pvt. Ltd. is not satisfactory. The ratio is in fluctuating trend because of the fluctuating in current assets. Previsions four year the firm is able to meets its obligation in which the ratio is 0.2167 but its standard is 1:1. So the management should take step to reduce inventory and maintain its standard 1:1.

This can be shown in the bar graph below.

Graph-10



Above bar graph show that the investment of the firm on quick assets and current liabilities.

To know the relationship between Quick Asset & Current Liabilities, Karl person's correlation coefficient should be calculated.

Table-20
Computation of Correlation Coefficient
Quick Assets to Current Liabilities
(Amount in Lakhs)

Year	Quick Assets(x)	Current Liabilities(y)	x.y	X ²	Y ²
064/65	8.39	23.92	200.68	70.39	572.1
065/66	16.51	27.22	449.40	272.58	740.9
066/67	22.03	47.56	1047.75	485.32	2261.96
067/68	6.84	47.03	321.68	46.89	2211.82
068/69	20.07	92.59	1858.28	402.80	8572.9
	x= 73.84	y=238.32	x.y= 3877.79	X ² = 1277.98	Y ² = 14359.79

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 3877.79 - 73.84 \times 238.32}{\sqrt{5 \times 1277.98 - (73.84)^2} \times \sqrt{5 \times 14359.79 - (238.32)^2}}$$

$$R = \frac{19388.95 - 17597.55}{1062.45 \times 15002.53}$$

$$R = \frac{1791.40}{32.5952 \times 122.48}$$

$$\therefore R = 0.45$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(0.45)^2\}}{5}$$

$$\therefore P_e = 0.24$$

The relationship between quick assets and current liabilities is not greater than P_E. So there is a correlation between quick assets and current liabilities are significant.

4.4. ACTIVITY RATIO/TURNOVER RATIO

Activity Ratio/Turnover ratio is calculated to know the inventory position debtor turnover, average collection period, fixed assets turnover ratio and total assets turnover ratio.

4.4.1 INVENTORY TURNOVER RATIO

Every firm has to maintain a certain level of inventory to meet the requirement of business. The stock turnover ratio indicates whether the investment in inventory is efficient or not. It measures the efficiency in inventory management. In other words, it also explains whether investment in inventory is within proper limit or not. It indicates marketability of inventory reasonableness of quantity.

It measures the velocity of conversion of stock into sales. A high ratio indicated efficient management of inventory because more frequently the stock is called lesser amount of capital is required to finance the inventory. So the firm finances more to hold the inventory.

The stock turnover ratio of inventory to sales can be illustrated as under AMIE Pvt. Ltd.

Table-21

AMIE Product (S) Pvt. Ltd
Inventory to Sales Ratio
(Amount in Lakhs)

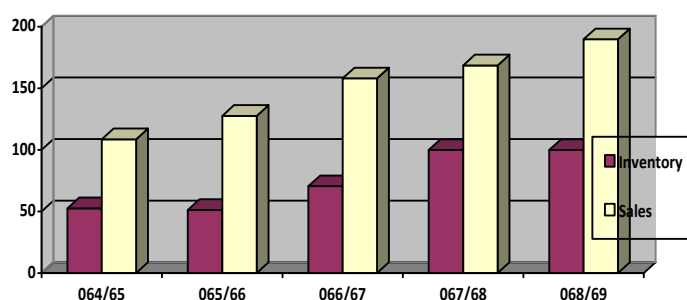
Year	Inventory	Sales	Ratio%	Change%
064/65	52.58	108.53	48.44	-
065/66	51.24	127.52	40.18	(8.26)
066/67	70.50	157.93	44.64	4.46
067/68	99.85	168.45	52.64	8
068/69	99.93	189.67	52.68	0.04
Total	374.09	752.10	238.58	-
Average	74.82	150.42	47.714	-

Source: Appendix: A & B

The inventory to sales ratio is in fluctuating trend in this table. The firm is able to manage efficiently its stock form the year 2065/067 because the ratio is in increasing trend. The firm invested more on stock in 2065/066, where the stock turnover ratio is low i.e. 40. %. The firm should manage the stock turnover ratio for efficient result.

This can show in the bar graph below.

Graph-11



Above bar graph shows the proportion of sales to inventory. In this year 2068/069 the inventory is higher than other years. And it is lower in the year 2065/66.

To know the relationship between inventory and sales, Karl Pearson's correlation Coefficient is calculated below in the table.

Table-22
Computation of Correlation Coefficient
Between Inventory to Sales

Year	INVENTORY (x)	SALES (y)	x.y	X ²	Y ²
064/65	52.58	108.53	5706.50	2764.65	11778.76
065/66	51.24	127.52	6534.12	2625.54	16216.35
066/67	70.50	157.93	11134.06	4970.25	24941.88
067/68	99.85	168.45	16819.73	9970.02	28375.40
068/69	99.92	189.67	18951.83	9984	35974.71
	x = 374.09	y = 752.10	x.y = 59146.24	X ² = 30314.46	Y ² = 117287.10

Source:-Appendix:-A & B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 59146.24 - 374.09 \times 752.10}{\sqrt{5 \times 30314.46 - (374.09)^2} \times \sqrt{5 \times 117287.10 - (752.10)^2}}$$

$$R = \frac{295731.20 - 281359.09}{11628.97 \times 20781.09}$$

$$R = \frac{14378.11}{107.84 \times 144.16}$$

$$\therefore R = 0.92$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N} = \frac{0.6745(1-0.92^2)}{5} = 0.0463$$

The relationship between sales and inventory is positive, where as p_E is six times lesser than r . so the relationship is significant.

4.4.2 DEBTOR TO TOTAL SALES RATIO

In order to calculate the debt collection velocity of firm, debtors to total sales ratio should be calculated. In other words to total sales indicate the relationship between sales and debtors to evaluate the efficiency with which the debtors are managed not.

It indicates the number of times the debtors are turned over during the year. Higher value of its turnover would be the more efficient management of debtors. To know the management of debtors is AMIE Pvt. Ltd. the table is presented below.

Table-23
AMIE Product (S) Pvt. Ltd
Debtors to Sales Ratio
(Amount in Lakhs)

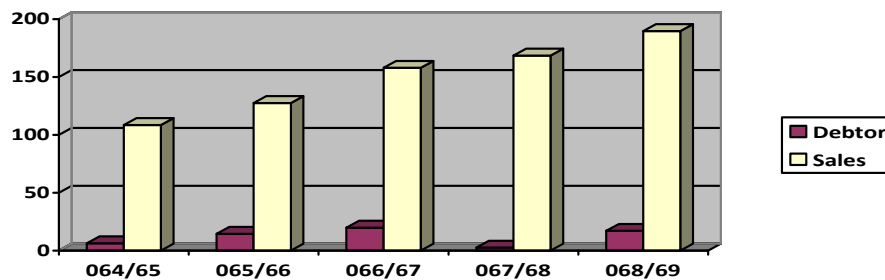
Year	Debtors	Sales	Ratio%	Change%
064/65	6.14	108.53	5.60	-
065/66	14.50	127.52	11.37	5.77
066/67	19.87	157.93	12.58	1.21
067/68	2.66	168.45	1.58	(11)
068/69	17.13	189.67	9.03	7.45
Total	60.30	752.10	40.15	-
Average	12.06	150.42	8.03	-

Source: Appendix: A&B

The debtor's ratio is increasing trend. So, the firm shows the efficient management of debtors.

This can be shown in the graph below.

Graph -12



The above bar graph shows the amount of debtors and sales. From this figure, Sales in increasing in all the study period as well as the debtors is in increasing up to the year 066/67. It is decreased in last year 067/68.

To know the relationship between debtors and sales can be show by the Karl Pearson's Correlation coefficient below in the table- 24.

Table -24.

Year	Debtor (x)	Sales (y)	x. y	X ²	Y ²
064/065	6.14	108.53	666.37	37.69	11778.76
065/66	14.50	127.52	1849.04	210.25	16261.35
066/67	19.87	157.93	3138.06	394.82	24941.88
067/68	2.66	168.45	448.07	7.07	28375.40
068/69	17.13	189.67	3249.05	293.44	35974.71
Total	x = 60.30	y=752.10	x .y = 9350.59	X ² = 943.27	Y ² = 117332.10

Source:-Appendix:-A& B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum x)^2} \sqrt{N \sum Y^2 - (\sum y)^2}}$$

$$R = \frac{5 \times 9350.59 - 60.30 \times 752.10}{\sqrt{5 \times 943.27 - (60.30)^2} \times \sqrt{5 \times 117332.10 - (752.10)^2}}$$

$$R = \frac{46752.95 - 45351.63}{\sqrt{4716.35 - 3636.09} \times \sqrt{586660.5 - 565654.41}}$$

$$R = \frac{1401.32}{32.8673 \times 144.9348}$$

$$\therefore R = 0.2942$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N} = \frac{0.6745(1-0.2942^2)}{5} = 0.2755$$

Therefore, P_E is six times less than r. So, the relationship between Debtors and Sales is significant.

4.4.3 AVERAGE COLLECTION PERIOD

Average collection period is calculated to know the average no. of days for which a firm has to wait before trade debtors are changed into cash. The average collection period of AMIE Pvt. Ltd. is presented below.

Table-25

AMIE Product (S) Pvt. Ltd
Average Collection Period
(Amount in Lakh)

Year	Days in year	DTR	Average Collection Period (in days)
064/65	360	0.056	6428
065/66	360	0.1137	3166
066/67	360	0.1258	2862
067/68	360	0.0158	22784
068/69	360	0.0903	3986

Source: Appendix: A & B

The collection period AMIE Pvt. Ltd. is increasing and decreasing trend. So, it shows the more risk and delay in its collection. So, the factory should manage it properly by reducing period. It is big bit lower in year 066/67 but it is decreasing up to the year 066/67 from the year 064/65.

4.4.4. FIXED ASSETS TURNOVER RATIO

The fixed assets turnover ratio implies the extent to which the investment in fixed assets contribution towards sales. It measures the efficiency with firm is utilizing its investment is fixed assets. In other words, it also indicates that the adequacy of sales in relation to the investment in fixed assets. To know the fixed assets turnover rat AMIE Pvt. Ltd. id presented below.

Table-26

AMIE Product (S) Pvt. Ltd
Fixed Assets to Sales Ratio
(Amount in Lakhs)

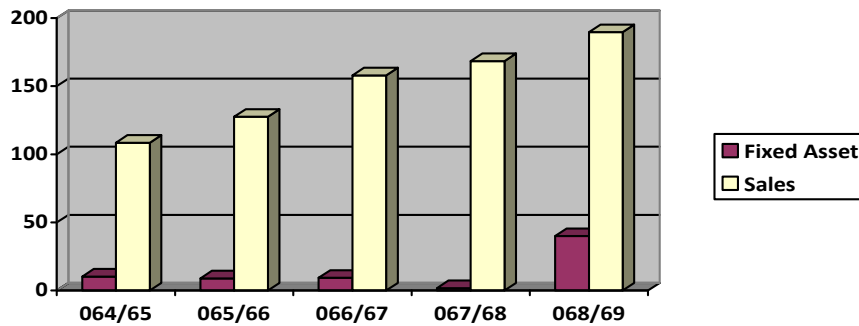
Year	Fixed Assets	Sales	Ratio
064/65	10.26	108.53	9.45
065/66	8.97	127.52	7.03
066/67	9.39	157.93	5.95
067/68	1.774	168.45	1.053
068/69	39.99	189.67	21.08
Total	70.38	752.10	44.563
Average	14.08	150.42	8.9126

Source: Appendix: A

The fixed assets turnover ratio is increasing trend. But in year first it decrease in total, the ratio is fluctuating trend. So firm is not efficient utilized the available fixed assets.

They can be shown in graph below.

Graph -13



The above bar graph shows the fixed assets and sales. The sales are every high in comparing to fixed assets. The investment in the fixed assets is in increasing trend. It shows the firm is investing more on current assets. The sales are in increasing trend in last year of the study period. To know the relationship between fixed assets and sales; Karl person's correlation coefficient is calculated in table 27 below.

Table-27
Computation of Correlation Coefficient
Between Fixed Assets to Sales

Year	(Amount in Lakhs)				
	Fixed Assets(x)	Sales(y)	X .Y	X ²	Y ²
064/65	10.26	108.53	1113.52	105.27	11778.76
065/66	8.97	127.52	1143.85	80.46	16261.35
066/67	9.39	157.93	1482.96	88.17	24941.88
067/68	1.774	168.45	298.83	3.1471	28375.40
068/69	39.99	189.67	7584.90	1599.20	35974.71
	x= 70.38	y=752.10	X.Y = 11623.25	X ² =1876.25	Y ² =117332.1

Source:-Appendix:-A

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 11623.25 - 70.38 \times 752.10}{\sqrt{5 \times 1876.25 - (70.38)^2} \times \sqrt{5 \times 117332.10 - (752.10)^2}}$$

$$R = \frac{58116.25 - 52932.80}{66.542 \times 144.9348}$$

$$\therefore R = 0.54$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N} = \frac{0.6745(1-0.54^2)}{5} = 0.2137$$

Therefore the P_E is less than r . so the relation is existed as positive fixed assets to sales.

4.4.5 NETWORKING CAPITAL TURNOVER RATIO

Networking capital means the total current assets minus current liabilities. It means the velocity of the utilization of working capital. This also indicates the number of items the working capital is turnover is course of times of the study period. To know the efficiency of working capital of AMIE Pvt. Ltd. is analyzed by the following table during the study period.

Table-28
AMIE (S) Pvt. Ltd
Calculation of Networking to Sales Ratio
(Amount in Lakhs)

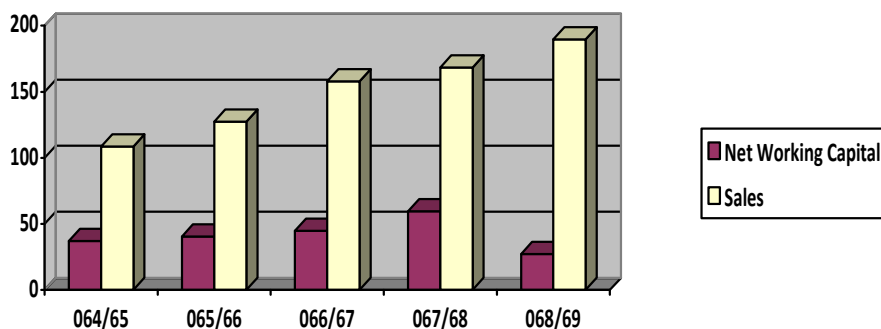
Year	Net Working Capital	Sales	Ratio
064/65	37.05	108.53	34.13
065/66	40.53	127.52	31.78
066/67	44.97	157.93	28.47
067/68	59.66	168.45	35.42
068/69	27.41	189.67	14.45
Total	209.62	752.10	144.25
Average	41.924	150.42	28.85

Source: Appendix: A and B

The above tables show the networking capital ratio is fluctuating trend.

This can be shown in the bar graph below.

Graph -14



The above graph shows the networking capital comparing with sales the networking capital ratio is decreasing up to year 066/67 and increased the value in 067/68 year. The sales and the networking capital both is

fluctuating trend. To establish the relationship between sales and networking capital, Karl person's correlation coefficient is computed in table no.29.

Table-29
Computation of Correlation Coefficient between
Net working Capital to Sales
(Amount in Lakhs)

Year	Networking Capital(x)	Sales(y)	x. y	X ²	Y ²
064/65	37.05	108.53	4021.10	1372.70	11778.76
065/66	40.53	127.52	5168.38	1642.68	16261.35
066/67	44.97	157.93	7102.11	2022.30	24941.88
067/68	59.66	168.45	10049.73	3559.31	28375.4
068/69	27.41	189.45	5198.85	751.31	35974.71
	x=209.62	y=752.10	x .y= 31540.10	X ² = 9348.30	Y ² =117332.1

Source:-Appendix:-A & B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 31540.10 - 209.62 \times 752.10}{\sqrt{5 \times 9348.3 - (209.62)^2} \times \sqrt{5 \times 117332.1 - (752.10)^2}}$$

$$R = \frac{157700.5 - 157655.202}{52.915 \times 144.9348}$$

$$\therefore R = 0.006$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(0.006)^2\}}{5}$$

$$\therefore P_e = 0.30$$

The relation between networking capital and sales is positive in significant

Whereas P_E is six time lower than r.

4.4.6 TOTAL ASSETS TURNOVER RATIO

Total assets turnover ratio indicates the relation between total assets to sales. The total assets include current assets, fixed assets and intangible assets less depreciation and written off expenses. Higher the ratio indicates the proper utilization of available assets. It also helps to show

firms ability of generating sales from the total financial resources available to the firm. Idle assets leads to lower assets turnover.

The ratio of total assets sales of AMIE Pvt. Ltd. is presented below in table No 30.

Table 30
AMIE Product (S) Pvt. Ltd
Total Asset to Sales Ratio
(Amount in Lakhs)

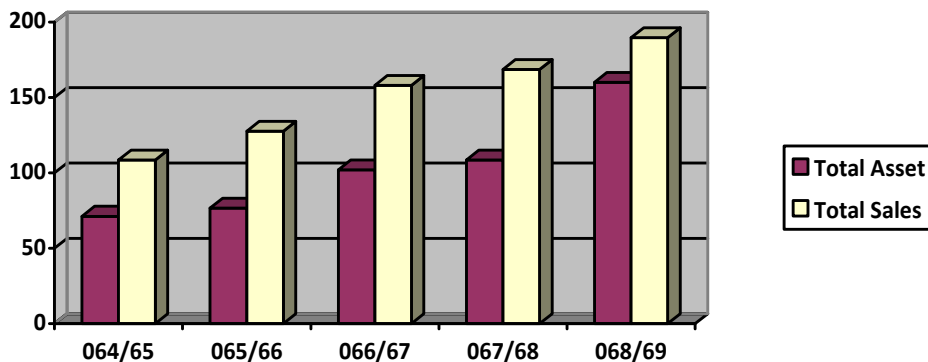
Year	Total Assets	Sales	Ratio
064/65	71.24	108.53	0.6564
065/66	76.71	127.52	0.6015
066/67	101.92	157.93	0.6453
067/68	108.47	168.45	0.6439
068/69	159.99	189.67	0.8435
Total	518.33	752.10	3.3906
Average	103.67	150.42	0.6781

Source: Appendix: A and B

From the above calculation of the firm is able to maintain its assets turnover ratio in first three year. Then after the firm fails to manage efficiently its assets than are if fails to use assets properly.

This can show in the bar graph below.

Graph -15



The graph is show to know the proportional of total assets to sales the total assets & Sales both are in increasing trend from the year 064/65to 068/69.

To know the relationship between total assets and sales, Karl person's correlation coefficient should be computed. It is computed in table No: - 31below

Table - 31
Computation of Correlation Coefficient
Between Total assets to sales

(Amount in Lakhs)					
Year	Total Assets(x)	Sales(y)	x. y	X ²	Y ²
064/65	71.24	108.53	7731.67	5075.14	11778.76
065/66	76.71	127.52	9782.06	5884.42	16261.35
066/67	101.92	157.93	16096.22	10387.61	24941.88
067/68	108.47	168.45	18271.77	11765.74	28375.40
068/69	159.99	189.67	30345.30	25596.80	35974.71
	x=518.33	y=752.10	x .y = 82227.02	X ² = 58709.78	Y ² =117332.1

Source:-Appendix:-A & B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 82227.02 - 518.33 \times 752.10}{\sqrt{5 \times 58709.78 - (518.33)^2} \times \sqrt{5 \times 117332.1 - (752.10)^2}}$$

$$R = \frac{411135.10 - 389835.99}{24882.52 \times 20781.09}$$

$$R = \frac{21299.11}{157.7419 \times 144.1565}$$

$$\therefore R = 0.94$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(0.94)^2\}}{5}$$

$$\therefore P_e = 0.035$$

The relationship is positive and the value of r is greater than P_E. Their relationship is significant.

4.4.7 CURRENT ASSETS TURNOVER/GROSS WORKING CAPITAL TURNOVER

For the manufacturing industry like, AMIE industry Pvt. Ltd., sales plays key role. It makes enterprise a strong and fit. So, for the survival and growth of the firm depends upon the sales policy. So, the sales policy should be based upon the resources available in market demand of the produced product.

Sales policy affects the production policy where as the production policy affects the financial policy. So, there should be tight coordination between the total assets, networking capital and sales. Increasing trend of sales causes the increasing trend of production and needed more inputs. For the stocks of material there should be adequate working capital. So, working capital is also affected by sales.

The following table is presented to know ratio of AMIE industry Pvt. Ltd. in current assets to sales or gross working capital turnover ratio.

Table-32
AMIE Product (S) Pvt. Ltd
Current Assets to Sales
(Amount in Lakhs)

Year	Current Asset	Sales	Ratio
064/65	60.97	108.53	1.78
065/66	67.75	127.52	1.88
066/67	92.53	157.93	1.71
067/68	106.69	168.45	1.58
068/69	120	189.67	1.58
Total	447.94	752.10	8.53
Average	89.59	150.42	1.71

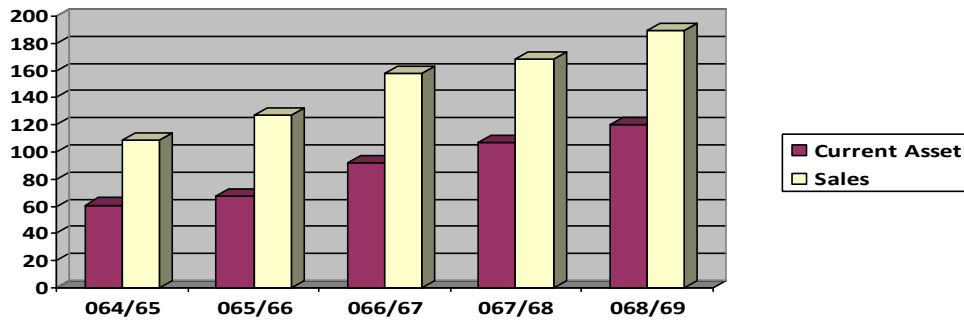
Source: Appendix: A and B

According to this ratio, sales are increasing in trend of study period. Sales are 189.67 (in lakhs) in year 068/69 which is the highest in study period.

The average sales are 150.54 lakhs and average current assets Rs.89.59 lakhs. Hence the ratio is 1.88 which is highest in year 065/66 and lowest in the year 067/68 and 068/69 which is 1.58 only.

This can be shown in the bar graph as below.

Graph-16.



The above figure shows the proportion of current assets and sales. All current assets and sales of the study period are increasing trend.

In order to test the relation between current assets and sales Karl Person's correlation coefficient is computed below.

Table-33
Computation of Correlation Coefficient
In order to relationship between
Current Assets to Sales (Amount in Lakhs)

Year	Current Asset(x)	Sales (y)	X . Y	X ²	Y ²
064/65	60.97	108.53	6617.04	3717.34	11778.76
065/66	67.75	127.52	8639.48	4590.06	16261.35
066/67	92.53	157.93	14613.26	8561.80	24941.88
067/68	106.69	168.45	17971.93	11382.76	28375.40
068/69	120	189.67	22760.40	14400	35974.71
	x=447.94	y=752.10	x . y = 70602.14	X ² = 42651.92	Y ² = 117332.1

Source:-Appendix:-A & B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 70602.14 - 447.94 \times 752.10}{\sqrt{5 \times 42651.92 - (447.94)^2} \times \sqrt{5 \times 117332.1 - (752.10)^2}}$$

$$R = \frac{353010.70 - 336895.67}{\sqrt{12609.60} \times \sqrt{20781.09}}$$

$$R = \frac{16115.03}{112.292 \times 144.1565}$$

$$\therefore R = 0.9955$$

Whereas,

$$P_e = \frac{0.6745(1-r^2)}{N}$$

$$= \frac{0.6745\{1-(0.9955)^2\}}{5} \quad \therefore P_e = 0.0027$$

The relationship between current assets and sales as well as total assets is positive and significant where r is greater than six times with P_E .

4.5 PROFITABILITY POSITION

Each and every company/firm/enterprise should be success to generate the profit by handing day to day operation for the long lasting survival. Each firm is established by taking the objective of maximizing profit by maximum utilization of available resources. Profitability of the firm measures the efficiency and ability of each firm to ensure the adequate return to its shareholders, ultimately depends up on the profit earned by it. To analyze the profitability of AMIE industry Pvt. Ltd. gross profit ratio, net profit margin ratio on return on total assets ratio, return on current assets are analyzed during the selected five years study period.

4.5.1 GROSS PROFIT MARGIN RATIO

Gross profit margin is the profit after deduction cost of goods sold firm net sealers. It is calculated in percentage. In other words, it is common ratio in operation analysis is the calculation of gross profit as a percentage of net sales. So, a firm has sufficient returns to the owners. Higher the percentage indicates the better position.

This ratio is calculated by dividing the gross profit by sales. Gross profit is calculated by subtracting costs of goods sold from the sales figure.

Table-34
AMIE Pvt. Ltd
Computation of Gross Profit Margin Ratio
(Amount in Lakhs)

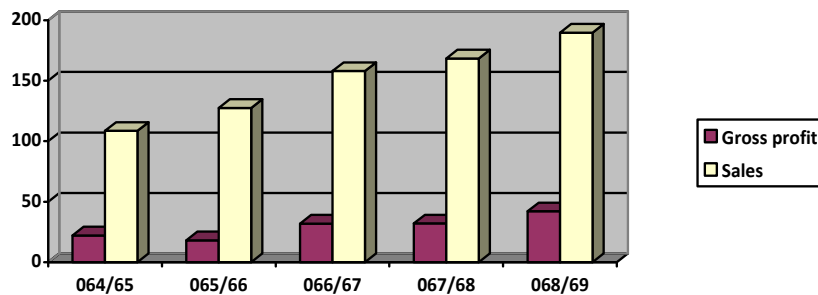
Year	Gross Profit	Sales	Gross Profit Margin Ratio
064/65	22.05	108.53	20.32
065/66	18.17	127.52	14.25
066/67	31.83	157.93	20.15
067/68	32.02	168.45	19.00
068/69	42.08	189.67	22.19
Total	146.15	752.10	95.91
Average	29.23	150.42	19.18

Source: Appendix: B

The gross profit margin of AMIE industry Pvt. Ltd. is in fluctuating trend. As we know from the above table the highest percentage is 20.32%

in the 1st year 064/65 the ratio is only 14.25% in the year 2065/066 which is decreased as compared to previous year. Likewise the ratio is only 22.19% in the last year of study period. Sometimes it is increased and other time it is decreased. This can be shown in the graph below.

Graph – 17



The above bar graph shows the proportion of gross profit with respect to sales. When the sales are increasing the gross profit is also increasing. The gross profit margin ratio is not all satisfactory. It has fluctuating trend. But in general, it was in decreasing trend. It may be due to high cost of production, under utilization, over staffing and lack of efficient management of other resources.

In other to test relationship between gross profit and sales of AMIE industry Pvt. Ltd. during the study period of observation, Karl Person’s correlation coefficient is calculated in table no.35

Table-35
Computation of Correlation Coefficient
In order to test relationship between
Gross Profit to Sales

(Amount in Lakhs)

Year	Gross Profit (x)	Sales (y)	x . y	X ²	Y ²
060/061	22.05	108.53	2393.08	486.20	11778.76
061/062	18.17	127.52	2317.04	330.15	16261.35
062/063	31.83	157.93	5026.51	1013.15	24941.88
063/064	32.02	168.45	5393.77	1025.28	28375.4
064/055	42.08	189.67	7981.32	1770.73	35974.71
Total	x= 146.15	y=752.10	x .y = 23112..12	X ² = 4625.51	Y ² =117332.1

Source:-Appendix:-B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 23112.12 - 42.08 \times 752.10}{5 \times 4625.51 - (452.08)^2 \times 5 \times 117332.10 - (752.10)^2}$$

$$R = \frac{115560.60 - 109,919.42}{1767.73 \times 20781.09}$$

$$R = \frac{5641.18}{42.04 \times 144.16}$$

$$\therefore R = 0.93$$

Whereas,

$$\begin{aligned} P_E &= \frac{0.6745(1-r^2)}{N} \\ &= \frac{0.6745\{1-(0.78)^2\}}{5} \\ &= 0.041 \end{aligned}$$

The relationship between Gross Profit and sales as well as total Sales is positive and it's significant where r is greater than six times with P_E.

4.5.2 NET PROFIT MARGIN RATIO

Net profit is profit after deducting operating expense and income tax from gross profit. This ratio indicates the relationship between net profit after tax and. It indicates the management's ability to operate the business with sufficient success not only to recover cost of borrowed fund but also leave a margin of reasonable compensation to the owners for providing their capital at risk. A high net profit margin would enable the firm to wish stand and diver's economic condition and a low margin will have opposite implications. This ratio is calculated by dividing net profit after tax by sales this ratio is of primary importance as profit accrue only from sales. This ratio is overall measures of the industry ability to turn in rupees to sales into net profit is obtained when operating expenses, non-operating expenses and income tax are subtracted from gross profit. The ratio of net profit to sales essentially expresses the cost price efficiency of the operation.

Table-36
AMIE PRODUCT (S) Pvt. Ltd
Computation of Net profit Margin Ratio
(in Lakhs)

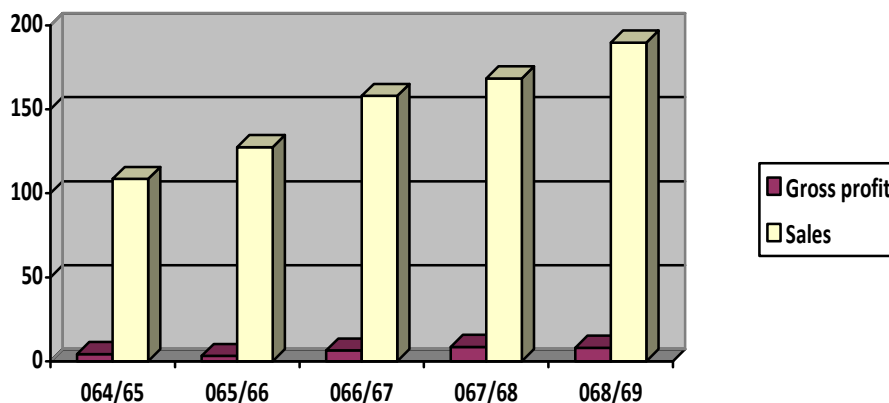
Year	Gross Profit	Sales	Gross Profit Margin Ratio
064/65	4.33	108.53	4
065/66	3.14	127.52	2.46
066/67	6.43	157.93	4.07
067/68	8.59	168.45	5.1
068/69	7.97	189.67	4.20
Total	30.46	752.10	19.83
Average	6.029	150.42	6.61

Source: Appendix: B

The net profit margin of the factory is fluctuating trend. In general, it has been increasing during the study period. But not satisfactory, it may be due to lack of efficient management of, over staffing and under utilization of available resources. But there are possibilities to improve in the years to come.

This can be shown in the bar graph as below.

Graph-18



The above bar graph shows the proportion of net profit after tax and Sales. The earnings after tax are higher in the year 067/068 and in the year 065/66, it is lower. But the sales are in increasing in trend of the study period. To test the relationship between Net Profit and Sales Karl Persons correlation coefficient can be calculated from under table no.37

Table-37
 Computation of Correlation Coefficient
 In order to test relationship between
 Net Profit to sales

Year	Net Profit (x)	Sales(y)	x . y	X ²	Y ²
060/061	4.33	108.53	469.94	18.75	11778.76
061/052	3.14	127.52	400.41	9.86	16216.35
062/063	6.43	157.93	1015.49	41.34	24941.88
063/064	8.59	168.45	1446.99	73.79	35974.71
064/065	7.97	189.67	1511.67	63.52	28375.40
	x = 30.46	y=752.10	x .y = 4844.50	X ² =207.26	Y ² =117332.1

Source:-Appendix: - B

We know that

$$R = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

$$R = \frac{5 \times 4844.50 - 30.46 \times 752.10}{\sqrt{5 \times 207.26 - (30.46)^2} \times \sqrt{5 \times 117332.10 - (752.10)^2}}$$

$$R = \frac{24222.50 - 22908.97}{108.48 \times 20781.09}$$

$$R = \frac{1313.53}{10.4154 \times 144.1565}$$

$$R = 0.87$$

Whereas,

$$P_E = \frac{0.6745(1-r^2)}{N}$$

$$= 0.6745 \frac{1-(0.91)^2}{5}$$

$$P_e = 0.0733$$

4.6 CASH FLOW ANALYSIS

Cash flow statement is an important tool which provides the information to its user about ability of the enterprise to generate cash and its utilization. The main objectives of cash flow statement are not help the cash to know the cash position of the organization. So, than the firm can make plan and policy regarding decision make activities for short term and long term financing.

Cash is life board of business organization. It is a fund that keeps a business alive without cash on activates can be taken place. So, a business must have an adequate amount of cash to operate. Cash flow statement helps the management to assesses the liquidity of business, Determine the dividends policy to evaluating the polices regarding the inventors and creditors in assessing the companion’s ability to manage the cash flows, to generate the positive features cash dividend and interest etc.

4.7 TREND ANALYSIS

Trend is an important passionate tool to know the financial position of every organization. For the trend analysis a base year is selected and the amount of item related to base year are taken to 100 and index number are calculated for the further year of study period. For the proper trend analysis five year studied data should be presented which gives the direction of changes and future trend can be made.

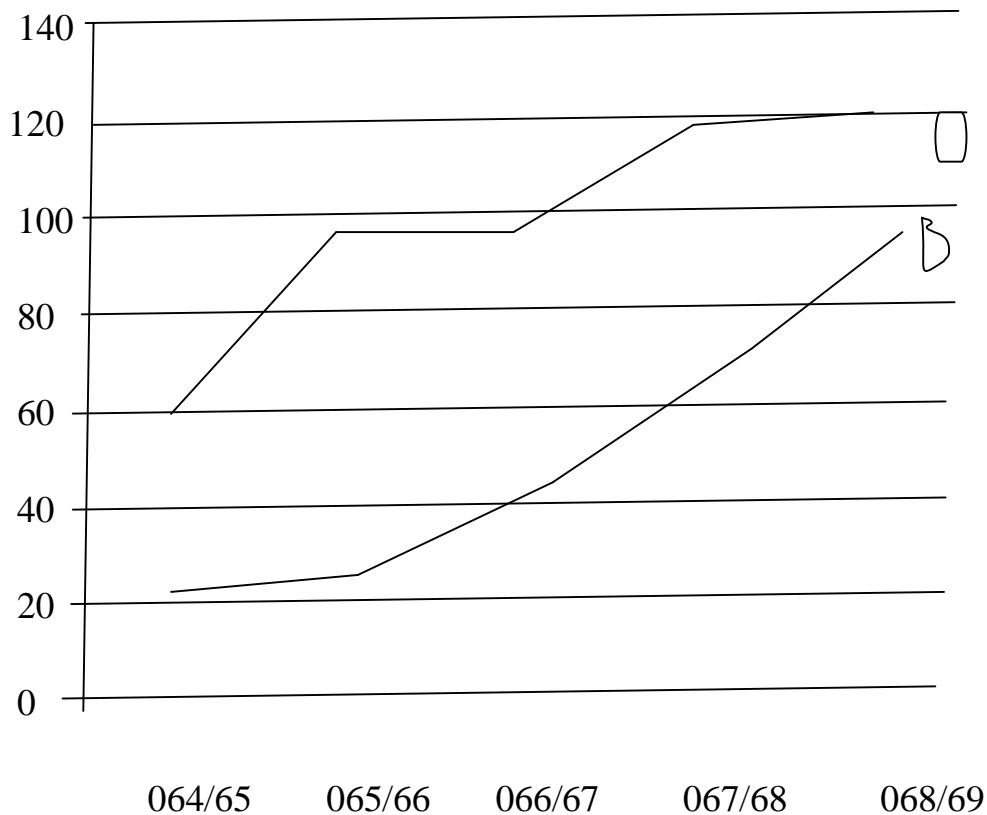
The following table shows the trend percentage of AMIE industry Pvt.Ltd. Over a different five year period (i.e. from 2064/65 to 2068/069) the fiscal year 2064/065 is taken as based year.

Table – 38
Analysis of AMIE Industry Pvt.Ltd
Comparative Trend (Amount in Lakhs)

Year	Current Asset	Trend	Current Liabilities	Trend	Networking Capital	Trend
064/65	60.97	100	23.93	100	37.04	100
065/66	67.75	111	27.22	114	40.53	109
066/67	92.53	152	47.56	199	44.97	121
067/68	106.69	175	47.09	197	59.66	161
068/69	120	197	92.59	387	27.41	74
Total	447.94	735	238.32	997	209.62	565
Average	89.59	147	47.664	199.4	41.924	113

Source: Appendix:-A

4.7.1 Trend Graph



□ Current Assets

△ Current liabilities

The trend of current Assets is in the unpredictable trend. The trend of base year (i.e. 064/65) is assumed as 100% in the year of study period. It is increased of 111 in years 066/67 and also increased and become 197 which indicate the good position in Current assets or proper utilization of current assets in the firm..

The trend of current liabilities is not good condition or it is in worse condition. This is continuously in increase in way up to the year 066/67. This trend shows that the firm has more and more current liabilities in this period. It also indicates that the management is not able to manage current liabilities. But the year 067/68 the trend is little decreased and

becomes 197 which mean the firm is trying to maintain its liabilities. But in last year 068/69 increased high and get 387 it is risk for maintained. It is not sufficient and the firm needs an effective's management of current liabilities.

The trends of networking capital are also in fluctuating trend. It is increased and becomes 109, 121 are the year of 065/66 and 066/67 respectively even the current liabilities are in increasing trend. Higher net working capital can be invested by the firm in any profitable investment opportunity. In the year 067/68 the trend of net working capital is in increasing trend due to the decreasing in current assets. It is decreased and becomes 74 in 068/69. Furthermore, the trend of networking capital is vastly decreased and becomes 64 in the year 068/69. This situation shows the firm is in crisis of networking capital. So, the firm should go in the corrective way rapidly.

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CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

Nepal is an underdevelopment, landlocked and agriculture country; where about more than 80% of the total economically active population is engaged on agricultural for their livelihood. Industrialization is the yardsticks of economics of economics development of any country. It is a measure instrument of progress, modernizations and social change there for it is the measure tools with the aid of which vicious circle of backwardness and poverty can be maintain. Economic development of a country can be accelerated only with the growth of rapid industrialization. In the country like Nepal, where the economic is basically agricultural based, the industrial development can play a vital role in replanting, employment and substitution of import through increased domestic production. In the context, AMIE Industry Pvt. Ltd. is acting as key elements to fulfill the demand of such type of produces.

This is the age of 21st century, so industrialization is necessary to develop the country rapidly. So, industrialization is the fundamental requirement to develop economic sector of any country. I other words, industrialization helps to bring advanced technologies and equipments. From this, people get employment opportunity as well as get the chance to develop their skills, so, for the development of the industries depends up on its efficient and effective management.

The most important component of financial management is working capital. So, it is compared as life blood and nerve sector of any business organization of firms, the study has conducted up on working capital management of AMIE Industry Pvt. Ltd. for five years from 2064/065 to 2068/069 to judge the management of working capital management

The main objectives of this study are to have inside overall except of working capital management of AMIE Industry Pvt. Ltd. So necessary that has been collected, tabulated in tabulated depending up on the data available from concern medicine industry. For the systematically analysis, it has divided into five medicine chapters, i.e. Introduction, Review of literature, Research Methodology, Presentation & Analysis of Data and Summary Conclusion & Recommendation .

In First Chapter Focus of the study and Nepalese context, statement of the problems and terminology are discussed.

In second chapter, review of related literature concerned with working capital management is presented. Nature, concept determination, need of working capital & importance of working capital is discussed.

In third chapter, research methodology is presented in which research design, nature sources of data, population and sample data processing including use of analysis financial and statically tools are discussed.

In four chapters, the financial data of AMIE Industry Pvt. Ltd. have been presented, analysis interpreted with financial and statically tools and techniques.

In last fifth chapters, Summary, Conclusion & Recommendation of Study have discussed.

The data used for this research project was secondary in nature, which is provided by the company. The relevant information is also collected through personal effort by approaching the staff in the official hours.

The data obtained from the audited financial statement of AMIE Industry are prepared and presented in tubular forms, graphs forms and they are analyzed by using various tools and techniques of financial and statically analysis.

5.2. CONCLUSIONS

Form the study of working capital management of AMIE Pvt. Ltd, the main conclusion of the study is presented below.

1. The investment on cash & bank balance of AMIE industry Pvt. Ltd in minimum comparing with other current assets which is better for the industry in relation to maximum utilization of sources.
2. Investment made on inventory is the second largest element of the current assets. It is increasing trend which is not better because the sales volume is increased and large amount will be stay idle.
3. Investment made on fixed assets has in fluctuating trend and is less than current assets. So, its profitability position is not satisfactory.
4. The current liabilities of AMIE Industry Pvt. Ltd. are in increasing trend which is better for the industry since it can utilize the amount without interest.
5. The current assets to fixed assets ratio is increasing trend for the first three year. This result shows that the combinations of current and fixed assets has been found sound the company and maintain it's satisfactory. In the last two year, the current assets and the fixed assets ratio decreasing trend due to fluctuating fixed assets but not by current assets.
6. The receivables to current assets ratio is fluctuating trend. It is not better for the industry likewise in the same conditioning the ratio of receivables upon total assets. It shows the negative result in sales the ratio of the inventory on current and total assets is also decrease in trend which implies the lower level of sales, which is not better for the industry became lower level of sales would decline the profitability of the industry.
7. The net working capital of the industry is increasing trend in the first three year of the study which can be invested in profitability opportunity as knows working capital financing, which is better for the company. Add

decreasing in the last two year of study period, which indicates that can't create any opportunity to the company.

8. Inventories turnover ratio is also fluctuating trend which shows the inefficient management during the study period of the management of the company has not given due to efficient management of the inventory which as result is inventory turnover ratio is not satisfactory.

9. The debtors turnover ratio has fluctuating trend is not better for it and implies the utilization of debtors. The efficient management of debtors is crucial for the firm to maintain the sound cash position. Fluctuating trend is not satisfactory at all.

10. The collection period if AMIE Industry private Limited is decreasing trend. It shows the fast collection period of debtors which is better for the firm. So, collection period policy must be maintained.

11. Total assets turnover is also fluctuating trend. The overall assets positions of the firm are not satisfactory due to its inefficient utilization of the total assets of the firm. Form this, the position of the assets is not satisfactory.

12. A current asset turnover is fluctuating the fluctuating in assets turnover does not show the efficient management of the current assets. Current assets of the firm are indirect operation of the firm. Therefore, the firm must concentrate of the sound management of the current assets.

13. Gross profit margin ratio is also fluctuating trend in last three years of study period; it is better due to positive return. But, it is decrease immediately and become low in second year. So, it shows the inefficient management of the overall of the firm.

14. Net profit margin ratio is also in fluctuating trend in last three years of study period, it is better due to positive return. But, it is shows the inefficient management of the overall of the firm.

5.3 RECOMMENDATIONS

In the regards of analysis and conclusion of the study following recommendation has made.

1. The low Cash and Bank balance of the firm shows unfavorable conditions. When the firm's actives would increase it should borrow cash& Bank to make the strong liquidity of the firm.
2. The firm should try to minimize the increasing debtors (receivables) without decreasing sales for making it strong in short term solvency.
3. AMIE Pharmaceutical Pvt. Ltd should utilize advertisement media for further strengthening and extending its market share and absorbing more opportunity.
4. AMIE Pharmaceutical Pvt. Ltd should make proper balance of cash, in other words, it is necessary to determine the limit of holding cash as per the requirement of its operation
5. The firm should increase cash sales by decreasing the amount of inventories & Debtors.
6. The firm should decrease the average collection period in further years so that firm can utilize its long term operation.
7. AMIE Pharmaceutical Pvt. Ltd should afford cost control program to reduce the amount of cost of goods sold.
8. For the better management of AMIE Pharmaceutical Pvt. Ltd, the management information system should be established which supports to the management of company providing an opportunity of business information.
9. Lastly, the firm should constitute research and development unit for condition research and development activities, which can bring efficiency in production process and may be helpful in reducing cost, exploring new facts and tacking with business threats.

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Appendix - 1

Balance Sheet of AMIE Industry Pvt.Ltd. Janakpur - 4

Particular	2064/065	2065/066	2066/067	2067/068	2068/069
<u>Liabilities</u>					
Capital	3,841,500.00	981,500.00	981,500.00	981,500.00	981,500.00
Reserve and long term loan	890,443.48	1,106,884.70	1,594,627.00	2,302,759.41	2,898,269.00
Working Capital	-	2,860,000.00	2,860,000.00	2,860,000.00	2,860,000.00
<u>Current Liabilities</u>					
Short term borrowing	141,600.00	2,358,700.31	3,056,978.97	293,481.96	3,450,000.00
Provisions'	59,862.66	85,717.49	19,383.24	17,798.52	90,569.00
Account payable	-	278,555.00	1,679,902.39	4,391,732.59	5,719,256.00
Repayment of loan Premium	2,190,613.68	-	-	-	-
Total Capital & Liabilities	7,124,019.82	7,671,357.50	10,192,391.60	10,847,272.48	15,999,594.00
Fixed Assets (net)	1,026,450.56	896,813.88	939,609.81	177,437.26	3,999,193.00
<u>Current Assets</u>					
Ending inventory (Closing)	5,258,362.44	5,124,041.70	7,050,497.60	9,985,827.86	9,992,833.00
Account Receivable	613,735.87	1,450,099.18	1,987,254.74	266,336.86	1,713,096.00
Cash Balance	140,970.95	77,902.74	49,523.71	153,314.00	79,098.00
Prepaid Expenses (deposits)	84,500.00	122,500.00	165,505.74	264,356.50	215,374.00
Total Assets	7,124,019.82	7,671,357.50	10,192,391.60	10,847,272.48	15,999,594.00

Source: Audited Balance Sheets Of AMIE Industry Pvt.Ltd. Janakpur - 4

Appendix - 2
Profit & Loss Account of AMIE Industry Pvt.Ltd. Janakpur - 4

Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Sales Revenue	108,53,000.00	127,52,000.00	157,93,000.00	168,45,000.00	189,67,000.00
To Distribution Expenses	231,433.00	125,557.00	533,806.99	225,500.00	225,000.00
To Administration expenses	11,079,550.32	1,186,543.00	1,774,828.35	2,122,275.89	27,756,981.00
To interest	275,447.37	211,927.20	108,723.85	8,899,481.00	751,433.00
To depreciation	156,658.88	145,636.68	122,532.71	12,914,589.00	1,571,946.00
To Net Profit	433,435.20	313,504.27	642,961.69	858,834.00	797,192.00
By Gross Profit	2,204,924.77	1,817,168.90	3,182,853.39	3,201,987.59	4,208,030.00
By income from other business.	2,204,924.77	1,817,168.90	3,182,853.39	3,201,987.59	4,208,030.00

Source: Audited Profit & Loss Account Of AMIE Industry Pvt.Ltd. Janakpur – 4