CHAPTER- I

INTRODUCTION

1.1Background of the Study

Nepal, with diminutive per capital income of $400, has been designed the least developed country. Its predominantly agricultural economy employs more than 80% of the economically active population in only 18% total arable land, without using any modern technology. There is no specialization and commercialization in agriculture. Therefore, regional and rural development potential of an agricultural country such as Nepal may not be fully realized without a well-designed and well-financed industrialization strategy. Industrialization plays crucial role in the process of economic development and its importance is as a means of achieving economic growth and prosperity within the country. The most important reason for embarking in performance of industrialization is to increase the rational income. Hence, it is must to increase overall national economy of the country.

Nevertheless to say that, the trading concern is also one of them, which plays crucial role in the process of economic development of the country but it is not so trouble-free for them to sustain in market for long run. The trading sector has to face various problems from internal and external environment. Internal environment focuses the management of the company and management capital management frfers to the internal environment of the organization and it is recognized as the most important part to survive any business without any interruption. So, it should not be neglected because it plays the key role in success and failure of an organization.

Simply, working capital means the excess amount of current assets over current liabilities. Current assets represent a large proportion of total assets generally about 40 percent. Working capital includes cash and marketable securities, receivables, inventories and current liabilities. Working capital helps to make short-term decision regarding current assets and current liabilities. It is also the process of planning and controlling the

level of current assets. So, we can compare it as lifeblood and controlling center for any types of business because no business can exist without proper management and control.

In general, the concept of working capital is synonymous with the fund available for daily requirements of the organization. Scarcity of funds for working capital as well as over expension of working capital has caused many business to be unsuccessful. However, its role is most important in trading concerns. Since, any error in any component of working capital whole trading process of the firm. It is possible that unoprofessional manpower may create problematic environment in the organization. Therefore, the company should appoint the person who has sufficient knowledge in working capital management and should properly manage different types of the assets required to meet the obligations of the firm smoothly while, the main objective fo the working capital management is to maximize the overall value of the firm.

1.2Brief history of the Sample Company:

1. Salt Trading Corporation Limited (STCL)

STCL was established on B.S. 27th Bhadra 2020 (August 1963 A.D.) under the collaboration of HMG, National Trading Limited (SALT) and share of common people. The amount invested by HMG, SALT and common people were Rs. 2,00,000, Rs. 1,00,00 and Rs. 10,00,000 respectively. STCL has been progressing from its date of establishment to till today. So at present, it has RS 10 cores authorized capital Rs. 24,777,700 of paid up capital and Rs. 50,000,000 of issued capital. At present STCL have many branch offices in overall Nepal. Its main office is situated in Kalimati, Kathmandu. From its very inception, STCL'S main objective was to fulfill the requirement of common people and to help them by selling its product in a reasonable price. Some more objectives are listed as follows:

- To avail the daily necessary things to the general people in the reasonable price.
- To carry out export and import business.
- To act as an agent for domestic as well as foreign Company.
- To make investments in new as well as old industries.

The financial term of the company has been able to generate sufficient earning power, better growth of assets and extension of its business organizational structure, being also strong in financial performance.

1.3Focus of the study

Every business firm need various types of assets to run the business without any interruption, working capital is one of them, which refers to the administration of all aspects of the current assets and current liabilities of the organization, so working capital, define as an important decision, which play decisive role in trading as well as manufacturing sectors.

There are numerous literatures can be found regarding working capital management, but to study under working capital management with repect to Trading Company in Nepal is a unique one. We cannot avoid the role and contribution of trading Company regarding the development of overall National Economic Growth of the country. Their main objectives are profit maximization and provide maximum satisfaction to the customers. Therefore, working capital should be in optimum level and efficient managed in every direction of financing and investing activities because without properly balancing the working capital, the business enterprise cannot grab the opportunity in regular course of business enterprise cannot grab the opportunity in regular course of business. So the study is focused on working capital management of trading company, to know the working capital practices of trading company in Nepal.

1.4 Statement of the Problem

Working capital management plays vital role in long run analysis and decision-making. One cannot estimate the accurate need of working capital in any organization. Increasing in working capital improves the short-term liquidity that reduces the risk but holding of higher level of current assets involves higher opportunity cost, which minimizes the return. Inversely, if the level of working capital decreases, the risk increases and accordingly the return also increases. Therefore, if a firm wants to maintain sound financial position, it should maintain optimal level of working capital. It is not so simple

to maintain daily current assets and current liabilities. So, the task of working capital management should be done seriously. Negligence could create big problem in daily operation of the organization.

Nepalese Trading Company is still facing the problem of working capital management due to the little knowledge of working capital management and unprofessional manpower.

Ever investors want to earn return from their investment. So, every organization should make profit for its owners. Profit is not only one indicator of proper management of working capital. There are serval indicators of working capital management. So, this study, basically, tried to find out the issue of working capital management of trading company. Salt Trading Limited is taken as sample company.

The following issues are to be deal for the purpose of this study.

- What are the major factors affecting the management of working capital in Salt Trading Corporation Limited?
- What is the liquidity position of STCL?
- What is the profitability position of STCL?
- How working capital is being financed in STCL?
- What is the management's attitude towards risk?
- How far are the STCL being able to utilize its current assets properly?

1.5 Objective of the Study:

- The main objective of the study are as follows:
- To present overall picture of working capital of Salt Trading Corporation Limited.
- To examine the relationship between liquidity and profitability.
- To know whether the company have maintained optimum level of working capital or not.

- On the basis of the analysis, provide appropriate recommendation and suggestions for the improvement of working capital management of Salt trading Corporation Ltd in Future.

1.6 Significance of the study

Working capital management plays a vital role in the economic growth in business organization. If the working capital management is ignored, it will seriously erode their financial viability and the company could not able to sustain itself in long run. Therefore, it is felt significant to the management to be more concentrate in the area of working capital management. The study is expected to fill research gap and add to the inputs to financial literature relation to working capital management. The research findings may be valuable to the company taken as sample company. It will be helpful to award the shareholders regarding working capital management i.e. liquidity and profitability position of the company. It will be useful to policy makers to formulate policy by new findings. Similarly, customers, financing agencies, sSaltk exchanges and sSaltk traders, interested persons and experts may also take benefit from this study. Finally, it will support the future researcher by providing important findings and valuable information regarding the working capital management in trading company.

1.7Research Methodology:

The study aims to find out the impact of working capital management in overall financial position and liquidity position of Salt Trading Corporation to achieve the desired objectives the relevant data will be collected from annual report and published bulletin of company. The supplementary data and information will be obtained from Nepal SSaltk Exchange, different related websites, booklets, articles and journals. The obtained data will be presented in various required tables and diagrams with supporting interpretations. Various financial and statistical tools will be used to complete the research study. Mainly liquidity ratios, activity ratios and working capital cash flow cycle will be used as financial tool for finding the profitability position of the company. Required statistical tools such as Mean and Standard Deviation, Correlation, Analysis and Probable Error will be used during research period to find out the objective.

1.8 Limitation of the study:

There are some limitations while making analysis. Basically shortage of time, reliability of statistical tool used and lack of research experience are the main limitations. Some other limitations are as follows.

- The study period covers data for only eleven years i.e. from 2063 to 2067 B.S.
- All the data are secondary in nature. Mostly published financial document like balance sheet, Profit and Loss Account and other related journals, magazines and books would be used. That is why, the outcome may depend on the reliability of secondary data.
- This study is mainly focused with the working capital management of the salt trading Corporation.
- This study will be done for the partial fulfillment of MBS program of T.U.

1.9 Chapter Scheme:

This study has been divided into five different segments to make the study more systematic namely in the form of

Chapter One: Introduction

Chapter Two: Review of Literature

Chapter Three: Research Methodology

Chapter Four: Presentation and Analysis of Data

Chapter Five: Summary, Findings, Conclusion and Recommendation

The contents of each of the chapter of this study are briefly mentioned here:

Chapter One: Describes the general background, brief profiles of the sample company statement of problem, objectives of the study, significant of the study and limitation of the study.

Chapter Two: Contains the theoretical analysis and brief review of related literature available. It also includes a discussion on the conceptual reviews as well as review of major studies in general.

Chapter Three: Deals with the research methodology, which consists of research design, source of data, and information along with different analytical financial as well as statistical tools, which have been applied in the study.

Chapter Four: Deals with data collection procedure presentation and analysis of data by using different financial and statistical tools and techniques.

The last Chapter Five includes summary, findings, conclusions and recommendations. The bibliography and appendices are incorporated in the end of the study.

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CHAPTER – 1I

REVIEW OF LITERATURE

This research work relates to the application of Salt in Nepalese manufacturing organizations. Accordingly, literature review relates to the following:

- Conceptual review.
- Review of previous studies

2.1 Conceptual Review

2.1.1 Concept of cost

Cost is the amount of expenditure actual (incurred) or national (attributable), relating to a specific thing or activity, may be a product, job service, process or any other activity. Cost is the amount of resources given up in exchange for some goods or services. The resources given up are generally in terms of money or if not in terms of money, they are always expressed in monitory terms. The terms of money or if not in terms of money, they are always expressed in monitory terms. The terms 'cost' itself is without any significant meaning and therefore, it is always advisable to use it with an adjective or phrase that will convey the meaning intended such as prime, direct, indirect, fixed, variable, controllable, opportunity, imputed, sunk, differential, marginal, replacement and the like.(lal, 1996:23).

Accountants, economists, engineers and others facing cost problems have developed cost concepts and cost terminology according to their needs. Basically a concept should be stated in the terms in which it has become generally familiar. It is not easy to define or explain the terms cost leaving no doubt concerning its meaning. The committee on cost concepts and standards of America Accounting Association wrote; "cost is foregoing, measured in monitory terms, incurred or potentially to be incurred to achieve a specific objective. In a tentative set of board accounting principles for business Enterprises "cost" is defined as an exchange price, a foregoing, a sacrifice to secure benefit. In financial accounting, the foregoing, or

sacrifice at date of acquisition is represented by a current or future diminution in cash or other assets"(Matz/cury; 1972:39)

2.3 Cost Management and Salt

Cost management focuses on cost reduction and continuous improvement and change rather than cost containment. Traditional cost control systems tend to be based on the preservation of the status quo and the ways of performing existing activities are not reviewed. The emphasis is on cost containment rather than cost reduction. Indeed the term cost reduction could be used instead of cost management but the former is an emotive term. Therefore, cost management is preferred. Whereas traditional cost control system is routinely applied on a continuous basis, cost management tends to be applied on an adhoka basic when an opportunity for cost reduction is identified. Also many of the approaches that are incorporated with the area of cost management do not necessarily involve the use of accounting techniques. In contrasts, cost control relies heavily on accounting techniques. (Drnsy, 2004:943-944).

Cost management consists of those actions that are taken by managers to reduce cost some of which are prioritized on the basis of information extracted from the accounting system. Other actions, however, are undertaken without the use of accounting information. They involve process involvements, where opportunity has been identified to perform process more effectively, and efficiently, and which have obvious cost reduction outcomes. It is important that organizations are aware of all approaches that can be used to reduce costs even if these methods do not really based on accounting information. Organization should also note that although cost management seeks to reduce costs, it should not be at expenses of customer satisfaction. Ideally, the aim is to take actions that will both reduce cost and enhance customer satisfaction. (Drnsy; 2004:945)

Manager commonly uses the following tools to implement the firms broad strategy and to facilitate the achievement of success on critical success factors-Benchmarking, Total Salt Management, Continuous Improvement (Kaizen), Activity Based Costing,

Reengineering, Theory of Constraints, Mass Customization, Target Costing, Life Cycle Costing and the Balance Scorecard. (Blocher; 1999: 16)

2.3.1 Benchmarking

In order to identify the best way of performing activities and business processes organization are turning their attention to benchmarking, which involves comparing key activities with world class best activities and with world class best practices. Benchmarking attempt to identify an activity, such as customer order processing, that needs to de improved and finding a non-rival organization that is considered to represent world class best practice for the activity and study how it performs the activity. The objectives are to find out how the activity can be improved and ensure that the improvements are implemented. Benchmarking is cost beneficial since an organization can save time and money avoiding mistakes that other companies have made and/or the organization can avoid duplicating the efforts of other companies. The overall aim should be to find and implement best practice. (Drnsy, 2004:9650).

Benchmarking is a process by which a firm identifies its critical success factors, studies the best practices of other firms (or other units within a firm) for these critical factors, and then implements improvements in the firm's process to match or beat the performance of those competitors. Benchmarking was first implemented by Xerox Corporation in the late 1970's. Today many firms use many benchmarking, and some of these firms are recognized as leader, and therefore, benchmarks, in selected areas. (Blocher; 1999:12)

2.3.2 Total Salt Management (SALT)

To survive and be successful in today's global competitive environment, firms must manufacture Salt products and provide Salt services. Salt products and services also enhance any competitive advantages a firm may have, (Blocher; 1999:166)

The ultimate test of Salt product or service is whether the product or service meets or exceeds customers' expectations. The requirements to meet or exceed customers' expectations then service as specifications for operations throughout an organization.

2.3.2.1 Cost of Salt

Cost of Salt is the cost associated with the prevention, identification, repair, and rectification of poor Salt, and with opportunity costs from lost production time and sales as a result of poor Salt. Traditionally, Salt costs had been limited to the cost of finished units. Other cost of poor Salt were included as overheads and not identified as Salt costs. (Blocher; 1999: 175)

2.3.2.2 Total Salt and Productivity

A common misconception is that improvements in Salt decreases productivity. The reasoning behind Salt improvement requires additional input efforts, since productivity measures the relationship between output and input resources, an effort that requires additional input resources with no increase in output may believe that materials, labor hours, and other resources spent on rework, repair or other activities to improve Salt consume additional resources with no increase in output. (Bloche; 1999:185-186)

The aim of kaizen costing is to reduce the cost of components and products by a pre-specified amount. Monden Hamada (1991) describes the application of kaizen costing in Japanese automobile plant. Each plant is assigned a target cost reduction ratio and this is applied to the previous year's actual costs to determine the target cost reduction. Kaizen costing relies heavily on employee empowerment. They are closest to the manufacturing process and customers are likely to have greater insights into how costs can be reduced. Thus, a major feature of kaizen costing is that workers are given the responsibility to improve process and reduce costs. Unlike target costing it is not accompanied by a set of technique or procedures that are atomically applied to achieve the cost reductions. (Drnsy; 2004: 951)

PDCA cycle is used to identify the problem and the portion of original goals which has not been received. So Kaizen can be generated to situation. Using PDCA model the Kaizen is generated as follows:

Step 1: Fined a problem and select themes (policy)

Step 2: Find the cause for the problem and consider the reasons why the theme was selected.

2.3.3 Reengineering

Reengineering is a process for creating competitive advantage in which a firm recognizes its operating and management functions, often with the result that jobs are modified, combined, or eliminated. It has been defined as the fundamental rethinking and radical redesigning of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, Salt, service, and speed. Under the pressure of global competition, many firms look a reengineering as a way to reduce the cost of management and operations, and as a basic for careful reanalysis of the firm's strategic competitive advantage, cost management supports the reengineering effort by providing the relevant information, (Blocher; 1999: 140

2.3.4 Theory of Constrains (SALT)

In contrast to target6 costing, which focuses on the early phases of the cost life cycle, the theory of constraints focuses on manufacturing activity. The theory of constraints (SALT) was developed by Goldratt and Cox to help managers to improve the overall profitability of the firm. This theory focuses the manager's attention on the constraints, or bottlenecks, that slow the production process. The main idea is that a firm succeeds by maximizing the overall rate of manufacturing output, which is called the througput of the firm. Throughput is defined as sales less direct costs, including purchased components and material handling cost. (Blocher, 1999:140)

SALT directs managers' attention to the speed with which the product's raw materials and purchased components are passed into final products and delivered to the customer. SALT emphasizes the improvement of throughput by removing or reducing the bottlenecks in the production process that slow the rate of output, manufactruing and

distribution process that do not affect throughput are nonbinding constraints that receive less attention than bottlenecks or binding constraints. (Blocher, 1999:140)

2.4 Review of Previous Research works

Dahal (2005) has made study about "Salt: A Study on applying to strength manufacturing enterprises of Nepal." And his study has shown the following findings and recommendations:

Objective

His Main Objective:

A detail investigation of causal linkage of cost reduction system and organizational performance can be conducted

- To know the view regarding application of Salt in organizations.
- To identify the problem for using such tools.

His Major Findings:

- The main reason behind less use to JIT in Nepalese business environment is lack of information about JIT and non-availability of suppliers.
- There is the lack of skilled manpower and internal failure cost in applying TQM.
- The more useable cost reduction tool in business enterprises is training.
- The main cause of not applying benchmarking is lack of proper direction and co-ordination.

His Major Recommendations:

- Japanese cost management tools should be widely used. And firms have to think how to make the practice effective.
- Specially, the electric firm, textile companies and engineering firms should give effort for JIT application.
- Firms should keep on benchmarking other's practices and bring corresponding practice to their own ground.

- Firms should manage the activities with cost.

Paudel, (2007) has made study about "Salt: A study on applying to strength manufacturing enterprises of Nepal." And his study has shown the following findings and recommendations.

His Main Objective:

- To know the view regarding application of Salt in organizations
- What is the manager's attitude to use such tools?
- To study on how they are using such tools.

His Major Findings

- The research works have found that about 50.59% of the firms are practicing cost management/reduction.
- This shows that manufacturing sector in Nepal is not widely practicing cost reduction. Research made among the firms has shown that existing cost reduction practice is different between the sectors.
- The average figure shows that 61.67% of the samples from chemical sub-sector were practicing cost reduction, which is the highest among
- Similarly, Salt was found not equally applied in Nepalese manufacturing sector.

His Major Recommendations

The cost reduction should be accompanied by mass production and wide distribution as well. Based on the findings/conclusions of this research works following recommendation have been forwarded for Nepalese manufacturing sector for effective cost reduction purpose.

- Firms should keep on benchmarking others' effective practices and bring corresponding practice to their own ground.
- Automated technologies have to be widely used. Firms should shift to automated and group technologies form the age-old manual and obsolete mechanized technologies.
- Management auditors have to conduct audits on varied areas and give improvement suggestions.

- Engineering firms should give a break through practice to target costing FBT and chemical firms are suggested to give high efforts to target costing team than the top management.

Karki (2008) has made study about "Practice of Salt and techniques in selected Nepalese manufacturing companies." And his study has shown the following findings and recommendations.

His Main Objective:

- How the management is recommended to apply the supervision system in order to implement the currently used tools and techniques properly
- To study on applying to strength manufacturing enterprises of Nepal.

His Major Findings:

After discussion of the different aspects of Salt and techniques major findings can be listed out as following.

- The major course of suffering the loss by Nepalese manufacturing companies is due to lack of proper supervision and management.
- The companies are trying to achieve objective by means of increasing selling price. They are trying to reduce the purchasing cost by means of managing cost in proper way.
- Majority of the companies are not applying the JIT system currently. Major problem of the failure of the system is due to lack of skilled and experienced manpower. In order to make success of the system properly, Nepalese manufacturing companies should establish the long term stable relationship with the employees.
- Majority of the sampled companies are adopting the ABM costing system at present and adapting activity reduction as the tool of cost reduction under the system.

His Major Recommendations:

Analyzing the different aspect of Salt and techniques in selected Nepalese manufacturing company's real status relating to it has been observed. Based on the status as the application of some Salt, some points are recommended here, these will be helpful to reduce the cost within the organization.

- The management are recommended to apply the supervision system in order to implement the currently used tools and techniques properly. Similarly, they are suggested to establish an information system to use the new tools and techniques in order to reduce cost to the minimum level.
- Involvement of top management is higher in order to implement the target costing system in Nepalese manufacturing companies. Single effort may not sufficient to achieve the goal of cost reduction. Therefore, the top management of the companies are recommended to make participation of the subordinates staffing in the planning and implementation process.

2.5 Research Gap

While pinpointing to the sample Company, we can found that, investment in current assets is high with respect to its total assets and net fixed assets and it has been stated after analyzing various turnover ratios that current assets is not properly utilized in both .However, liquidity position of STCL shows satisfactory and favorable position by being successful in maintaining the standard but SALT being unable to meet standard or it is below the standard value remains unsuccessful to meet the current obligation, which specifies that liquidity position of the SALT is poor. STCL being a trading company need an efficient liquidity position to operate its business but it has lower value than standard. Therefore, it should maintain the standard value of both current ratio and quick ratio to get the optimum solvency position. There is extremely high operating ratio in both Company, which indicates inefficiency and mismanagement of the company. So, both Company to maintain the position should reduce the operating expenses.

CHAPTER-III

RESEARCH METHODOLOGY

Research Methodology is a process of arriving to the solution of problem through planned and systematic dealing with the collection, analysis and interpretation of the facts and figures. Research Methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view. It tries to make clear view of method and process adopted in the entire aspect of the study. It is known as a part from which we can systematically solve the research problem.

3.1 Research Design

A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research Design also can be defined as the plan, structure and strategy of investigation concerned so as to answer the research questions and to control variants. Thus, it is not possible for a researcher to conduct a research project without a research design.

3.2 Populations and Sample

There are many trading Company, which are actively operation their business in market.

Populations and sample

There are many trading Company, which are actively operating their business in market. It is not possible to study all of them regarding the research topic. Therefore, among them, one reputed trading company STCL is taken as a sample Company from population for thid research study.

3.3 Source of Data

The required data have collected from the annual financial reports published by concerned trading Company. The supplementary data and information have been acquired from various sources like newspaper magazines, websites, Brochures of

particular Company, published and unpublished reports, related document and journals available in different library.

3.4 Data Collection Techniques

The necessary data have been collected from concerned trading Company and central Bureau of statistics. Data are also collected through various articles, journals and published and unpublished reports from different websites in Internet. Beside, if study requires the indirect and informal talk interviewing with some professors, teachers and persons of the concerned field have also been made.

3.5 Data analysis tools used

After the processing and tabulation of data, different financial and statistical tools are used for the purpose of analysis techniques and to achieve the objectives of the study.

1. **Financial (Analysis) Tools**

a. Financial Ratio analysis

Ratio analysis is the most important tools of the financial analysis which helps to ascertain the financial condition of the enterprises. Enterprises may able to judge their financial stability by using various ratios. The ratio is simply calculated by dividing one component to another to show their corresponding relationship with each other. Ratios are calculated here to obtain the better insight into the real situation of working capital. Management in the sample Company i.e. STCL. Various ratios are employed and grouped for the analysis of composition of working capital, Liquidity Position, Turnover Position and Profitability Position.

1. **Composition of Working Capital**

Composition of working Capital is studies by analyzing follows ratios:

a. Current Assets to Total Assets Ratio

The ratio measures what percent of the company's Total Assets are invested in the form of Current Assets. Higher ratio shows the risk and profitability of the company will decrease and vice-versa. It is calculates as follows:

$$\text{Current Assets to Total Assets} = \frac{\text{Current Assets}}{\text{Total Assets}} \times 100$$

b. Current Assets to Fixed Assets Ratio

The ratio shows the relationship between Current Assets and Fixed assets. Higher ratio indicates the sound position of Working Capital and Vice-versa. It is calculates as follows.

$$\text{Current Assets to fixed assets} = \frac{\text{Current Assets}}{\text{Fixed Assets}} \times 100$$

c. Cash and Bank Balance to Current Assets:

The ratio measures the relationship of cash and bank balance to Current Assets. Working Capital is directly affected by this ratio. Lower ratio indicates the sound management and higher ratio vice-versa. It is calculated as follows:

$$\text{Cash and Bank Balance to Current Assets} = \frac{\text{Cash \& Bank Balance}}{\text{Current Assets}} \times 100$$

d. Cash and Bank Balance to Total Assets:

The ratio indicates what percent of Total Assets is invested in cash and bank balance. Higher the ratio, lower will be risk and profitability and vice-versa.

$$\text{Cash and bank balance to total assets} = \frac{\text{Cash \& Bank Balance}}{\text{Total Assets}} \times 100$$

e. Inventory to Current Assets and total assets:

The ratio indicates the relationship of inventory to Current Assets and Total Assets. The higher ratio indicates the liberal inventory policy (or blocking of materials in sSaltk) following by company. So, increased percent means the greater part is occupies by inventory. The ratio is calculated as follows:

$$\text{Inventory to Current Assets} = \frac{\text{Inventory}}{\text{Current Assets}} \times 100$$

$$\text{Inventory to Total Assets} = \frac{\text{Inventory}}{\text{Total Assets}} \times 100$$

f. Receivables to Current Assets and Total Assets Ratio:

The ratio shows the relationship of receivables to Current Assets and Total Assets. As the receivables are the part of Working Capital, Working Capital is affected by changing ratio of receivables. If ratio increases Working Capital also increases.

$$\text{Receivable to Current Assets} = \frac{\text{Receivable}}{\text{Current Assets}} \mid 100$$

$$\text{Receivable to Total Assets} = \frac{\text{Receivable}}{\text{Total Assets}} \mid 100$$

ii. Liquidity Position:

Liquidity Position shows the ability of the company to pay its current obligation i.e. it determines the short-term solvency position of any organization. So, it plays vital role in the company. The liquidity position, generally analyzed by using following ratios:

a. Current Ratio

The current ratio of 2:1 is considered to be no adverse effect on daily operation. If the ratio is less than two, difficulty may arise while paying Current Liabilities and if the ratio is higher than two, it is very comfortable for creditors but in other hand it indicates the idle fund in business. The current ratio is computed by dividing Current Assets by Current Liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilitie}}$$

b. Quick Ratio

Quick Ratio is the ratio of liquidity assets to Current Liabilities. It doesn't include the amount invested in the inventory and prepaid expenses. Generally the Quick ratio of 1:1 is considered to be ideal for any business organization.

$$\text{Quick Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

b. Quick Ratio

Quick ratio is the ratio of liquidity assets to Current Liabilities. It doesn't include the amount inventory and prepaid expenses. Generally the Quick Ratio of 1:1 is considered to be ideal for any business organization.

$$\text{Quick Ratio} = \frac{\text{QuickAssets}}{\text{Current Liabilities}}$$

Where, quick assets = Current Assets –Inventory Prepaid expenses

III. Turnover Position / Activity Position:

The ratio indicating the efficiency in assets management as well as the effectiveness of the investment of resources in the business enterprise is known as turnover or activity ratio. Turnover ratios are usually calculated on the basis of sales or cost of sales. Therefore, the relationship between sales and various assets of the firm can be defined with the help of activity/ turnover ratio. Higher the turnover ratio, the better will be the profitability and use of resources.

a. Inventory Turnover Ratio

Inventory Turnover Ratio shows the efficiency of the business concern in an inventory Management. It establishes the relationship between cost of goods sold during the given period and the average amount of inventory held during the period. Higher ratio indicates the better management of inventory and lower sSaltk ratio turnover suggests that management should manage its inventory properly. Inventory turnover ratio is calculated as follows:

$$\text{Inventory turnover ratio} = \frac{\text{Net Sales}}{\text{Average Inventory}}$$

$$\text{Average Inventory} = \frac{\text{Opening Stock } \Gamma \text{ Closing Stock}}{2}$$

b. Debtors / Receivables Turnover Ratio

The ratio indicates the number of times receivables are turned over during the year. Generally, it is measure of the collectibles of account receivable. Higher the ratio more will be the changes of bad debts and lower the ratio less will be the chances of bad debts. The ratio is computed by dividing sales by the Total Receivables / Debtors.

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

The average collection period is calculated as under:

$$\text{Average Collection Period} = \frac{\text{Days in a year}(360)}{\text{Receivables Turn over Ratio}}$$

The average collection period indicates the number of days, taken on an average to collect receivable during the year.

c. Current Assets Turnover Ratio

Current Assets Turnover Ratio Measures the numbers of times the average Current Assets are turned over during the year in relation to its sales. It is computed by dividing sales by Current Assets.

$$\text{Current Assets turnover ratio} = \frac{\text{Net Sales}}{\text{Current Assets}}$$

Although there is no standard measurement, higher turnover of Current Assets is always desirable as it indicates the maximum utilization of Current Assets during the year. Therefore, lower ratio indicates greater volume of working capital and vice versa.

d. Cash Turnover Ratio

Cash Turnover Ratio shows the number of times the average cash balance is turned over during the year in relation to its sales. It generally measures the speed with which cash moves through the organization operations. The ratio is computed by dividing sales by cash and bank balance.

$$\text{Cash Turnover ratio} = \frac{\text{Net Sales}}{\text{Cash \& Bank Balance}}$$

e. Net Working Capital Turnover Ratio

The ratio shows the number of times the Working Capital turnover during the year. The higher ratio indicates the utilization of net Working Capital and vice-versa. The ratio can be defined as follows:

$$\text{Net Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

Where, Net Working Capital = Current Assets- Current Liabilities

iv. Profitability Position:

Profitability is the measure of efficiency of the organization. Profitability of the firm can be measured by its profitability ratio. So, it plays significant role in any organization. Generally, the profitability positions of the Company are analyzed with the help of following ratios:

a. Gross Profit Margin Ratio

The Gross Profit Margin Ratio indicates the productive efficiency of the organization. A higher gross profit margin ratio show better profitability position and also implies that firm is able to produce at low cost. Adversely, low ratio indicates unsound profitability position or shows increase in cost of production. The ratio is calculated as under.

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Where, Gross Profit = Net sales-Cost of Goods Sold

b. Net Profit Margin Ratio

The ratio measures the relationship between Net Profits and Sales of the enterprises. It measures the overall profitability or company's ability to earn net profit. It is computed by net profit by sales.

$$\text{Net Profit Margin Ratio} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100$$

c. Operating Ratio

The overall ratio is an important ratio, which is calculated to ascertain the relationship between operating expenses and volume of sales. The ratio is computed as follows:

$$\text{Operating Ratio} = \frac{\text{Cost of Goods Sold} + \text{Operating Expenses}}{\text{Net Sales}} \times 100$$

Where, Operating Expenses = Adm. Exp + Selling & Dist Exp. + Financial Exp.

Higher ratio indicates the lower efficiency of the company and vice-versa Higher operating ratio means small amount of operating income to meet interest and dividends.

So, it is not seems to be favorable for company while there is higher rate of operating ratio.

d. Return on Total Assets Ratio

Return on Total Assets Ratio measures the profitability of the company by estabilishing relationship between net profit after taxes and Total Assets. It also helps to understand the utilization of assets of the company. The ratio is computed as follows:

$$\text{Return on Total Assets} = \frac{Net\ \text{Pr}\ ofitAfterTax}{\text{Total Assets}} \times 100$$

e. Return on Net Worth Ratio:

The ratio indicates the return to the shareholders. It shows whether the firm has earned satisfactory return for its shareholders or not. Higher return on net worth ratio indicates higher return to the shareholders and vice-versa. The ratio is computed as follows:

$$\text{Return on net worth ratio} = \frac{\text{Net Profit After Tax}}{\text{Net Worth}} \times 100$$

f. Return on Working Capital / Return on Current Assets Ratio:

The ratio measures the profitability position of the company with respect to Current

$$\text{Return on Current Assets} = \frac{\text{Net Profit After Tax}}{\text{Current Assets}} \times 100$$

v. Working Capital Cash Flow Cycle / Operating Cycle:

The continuous flow from cash to supplier to inventory, to account receivable and back into cash is known as working capital cash flow cycle / operating cycle. It continuously repeats. The cycle demonstrates the conversion of raw materials and labour to cash. Hence this concept is also called cash conversion cycle mode.

Cash Conversion Cycle model has been applied to more complex business and it is useful when analyzing the effectiveness of a firm's working capital management. There are following four factors of cash conversion cycle model.

1. **Inventory Conversion Period (ICP):**

The length of time required converting raw material into finished goods and then to sell these goods can be defined as inventory conversion period. This period indicates its product. Inventory turnover is calculated by dividing the cost of goods sold by average inventory. It can be said as time required for conversion inventory into cash. It can be calculated as follows:

$$\text{Inventory conversion period} = \frac{360}{\text{Inventory Turnover}}$$

$$\text{Inventory Turnover} = \frac{Sales}{\text{Stock}}$$

$$\text{Inventory Conversion Period} = \frac{\text{Inventory} \mid \text{Days in a Year}}{\text{Sales}}$$

2. **Receivable Conversion Period (RCP):**

Receivable conversion period indicates the number of day's debtors turnover into cash. It analyses to determine collection of debtors and also the efficiency of collection effects. It is one of the important financial tools for the measurement of cash conversion cycle. Generally, the longer the collection period, the more efficient is the management of credit. Receivable collection period is also known as average collection period or days sales outstanding (DSO). RCP can be calculated as follows:

$$\text{Receivable turnover} = \frac{Sales}{\text{Stock}}$$

$$\text{Receivable conversion period} = \frac{360}{\text{Receivable Turnover}}$$

3. **Payable Deferral Period (PDP)**

Time required purchasing raw material and labour and the payment of cash for them is called payable deferral period. It indicates the speed of creditors payable. A high payable conversion period is favorable for the company but too much higher period also can hamper the credit worthiness of the company. The payable deferral period can be calculated using following formula:

$$\text{Payable deferral period} = \frac{\text{Payable} \mid 360}{\text{Purchase}}$$

4. Cash Conversion Cycle (CCC):

Cash conversion cycle is an important financial tool and also a quick and convenient way to analyze the ongoing liquidity of the firm over time. It generally measures the length of time that firm has funds tied up in working capital. Cash conversion cycle can be calculated by using following formula:

$$\text{Cash Conversion Cycle} = \frac{\text{Inventory conversion period } \Gamma \text{ Receivable}}{\text{Conversion Period - Payable deferral Period}}$$

As we know that inventory and receivable are cash inflow of business and PDP is cash outflow of business. So, for the calculation of conversion cycle, RCP and ICP should be added up and PDP should be deducted.

2. Statistical Tools Used

The research holds varies statistical tools, which are defined as follows:

a. Mean:

The most popular and widely used measure of representing the entire data by one value is know as “average” or ‘Mean’. The value is obtained by adding together all the items and by dividing this total by the number of items. It represents the entire data, which lies almost between the two extremes. In this study is calculated as:

$$\text{Mean} = \frac{\text{Sum of Total Values}}{\text{No of Values}}$$

b. Standard Deviation (S.D)

The Standard deviation is an important and widely used measure of dispersion. The measurement of the scatter ness of the mass of figures in a series about an average is known as dispersion. The standard deviation (S.D.) is an absolute measurement of dispersion in which the drawbacks present in other measures of dispersion are removed. The high amount of dispersion reflects high standard deviation. The high amount of dispersion reflects high standard deviation. The small standard deviation means the high degree of homogeneity of the observations. It is calculated for selected dependent and

independent variables specified. It is the positive square root of the arithmetic mean of the square deviation from arithmetic mean. It is usually denoted by ± (Small Sigma).

$$\text{S.D. } (\pm) = \sqrt{\frac{(x \, \mathrm{Z}^{z} x)^2}{N}}$$

C. Coefficient of Variation (C.V.):

The coefficient of variation reflects the relation between standard deviation and mean. The relative measure of dispersion based on the standard deviation is known as coefficient of standard deviation. The coefficient of dispersion based on standard deviation multiplied by 100 is known as the C.V. It is used for comparing variability of two distributions. If the x were the arithmetic mean and ± the standard deviation of the distribution, the C.V. is defined as,

$$\text{C.V.} = \frac{\pm}{\bar{X}} \mid 100$$

Greater the C.V, the more variable or conversely less consistent, less uniform, less stable and less homogenous than the consistent, more uniform, more stable and homogenous. The nature of C.V. is use to see the actual size of Working Capital.

d. Coefficient of Correlation(r):

Correlation analysis is the statistical tools that we can use to describe the degree to which one variable is linearly related to another. Coefficient of correlation is the measurement of the degree of relationship between two casually related sets of figures whether positive or negative. Its value lies somewhere ranging between -1 to +1. If the both variables are consta Salty changing in the similar direction, the value of coefficient will be +1 indicative of perfect positive correlation. When coefficient will be -1, two variables take place in opposite direction. The correlation is said to be perfect negative. In this study, simple coefficient of correlation is used to examine the relationship of different factors with working capital and other variable.

e. Probable Error (P.E.):

Probable Error of the correlation coefficient denoted by P.E. is the measure of testing reliability of the calculated value of 'r'.

P.E. $=0.6745\frac{1-r^2}{\sqrt{n}}$

1. If r<P.E., it is insignificant. So, there is no evidence of correlation.

2. If r > 6 P.E., it is significant. The P.E. of correlation coefficient may be used to determine the limits within the population correlation lies. Limits for population correlation coefficient are $r \pm$ P.E.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

The basic objectives of the study have already been stated in the first chapter "introduction". The conceptual as well as relevant literature that matters important to this study is streamline in second chapter "Review of Literature". In order to meet the requirement, several analytical tools and techniques are used, which has already mentioned in the third chapter "Research Methodology". Now the most important part of this study that consist of Presentation and Analysis of empirical data focuses on how far the trading Company of Nepal are in a position to manage their working capital needs.

In this chapter, the relevant data and information of working capital of trading Company are presented and analyzed. For this purpose, the necessary financial facts and figures are gathered from concerned Company. Only the important variables that are very sensitive and pertinent are taken into account. The major variables for this study are current assets and liabilities, net profit, sales, total assets and cost. Simply presenting the variable is not sufficient, so, various financial and statistical tools have been employed for the analysis. The chapter begins with the analysis of working capital policy followed by two trading Company, then analysis of various financial ratios and analysis of cash conversion cycle. The financial variables are compared with the help of available statistical tools i.e. mean, standard deviation, correlation coefficient, P.E. etc.

4.1 Analysis of Composition of Working Capital:

To operate day-to-day business activities, different kinds of current assets are needed. Current assets should be in optimum level in order to met increasing sales level. The excess or low working capital affects the profitability and liquidity position of the company. Therefore, the effective composition of working capital should be made in any organization. Following ratios has been calculated to analyze the composition of working capital of STCL.

1. **Percentage of Current Assets on Total Assets:**

Current Assets are generally required to meet working capital, which are to fulfill the need of daily business requirements. Higher percentage of Current Assets in Total Assets shows the greater liquidity position of a firm, the lower risk of technical insolvency and vice-versa.

Table: 4.1

Percentage of Current Assets on Total Assets

Year	**Salt Trading Limited**		
	Current Assets	**Total Assets**	**Ratio**
2057	141,695,879	239,090,778	59.26
2058	274,381,110	392,560,880	69.90
2059	330,855,566	470,956,646	70.256
2060	369,306,977	519,087,123	71.15
2061	501,254,556	654,356,423	76.60
2062	584,066,537	744,799,926	78.42
2063	688,806,277	858,423,834	80.24
2064	661,540,301	844,885,015	78.30
2065	742,915,108	926,249,522	80.21
2066	837,617,119	1,023,065,044	81.87
2067	1,024,125,024	1,189,294,192	86.11
Mean			75.66
SD			7.1138
CV			9.4023

The above table shows the percentage of Current Assets to Total Assets of SALT and STCL. The ratio represent the proportion of Current Assets investment to Total Assets Investment of SALT and STCL for selected 11 years of study period. Percentage of Current Assets to Total Assets of SALT is in fluctuating trend with an average of 90.76% In the year 2066, the volume of Current Assets is Rs. 444,426,999.00 and it is 84.65% of its total assets. It is least percentage of Current Assets is Rs 558,929,110.00 and it is 93.30% which is higher percentage proportion in over a period of time. This increase is mainly due to holding of cash and inventory. While focusing to the data of STCL, the ratio is in increasing trend except in the year 2063. The average ratio is 75.66% in the year 2057, the volume of Current Assets is 141,695,879.00 and it is 59.26 % of its Total Assets. It is least percentage of Current Assets of Total Assets during the study period. In the year 2066, the volume of Current Assets is 1,024,125,024 and it is 86.11% which is maximum percentage during the study period. The S.D. and CV is 2.8141 and 2,4.65% of SALT is more consistent than STCL respectively. That means, the ratio of SALT is more consistent than STCL because of minimum standard Deviation and Coefficient of Variation (C.V). Annex. 6)

II. Percentage of Current Assets on Fixed Assets:

Higher ratio shows the higher Working Capital and the goal liquidity position of a firm or business organization. The ratio also help to analyze the investment policy of the company. High ratio indicates the aggressive financing policy and low ratio indicates the conservative financing policy.

Table: 4.2

Percentage of Current Assets on Fixed Assets

Year	Salt Trading Limited		
	Current Assets	**Fixed Assets**	**Ratio**
2057	141,695,879	97,394,899	145.49
2058	274,381,110	118,179,770	232.17
2059	330,855,566	140,101,080	236.15
2060	369,306,977	149,780,146	246.57
2061	501,254,556	153,101,867	327.40
2062	584,066,537	160,733,389	363.38
2063	688,806,277	169,617,607	406.09
2064	661,540,301	183,344,714	360.82
2065	742,915,108	183,334,414	403.22
2066	837,617,119	185,447,925	451.67
2067	1,024,125,024	165,169,168	620.05
Mean			345,00091
SD			124.0817
CV			35.9656%

The above table shows the percentage of Current Assets on Fixed Assets of SALT and STCL. The ratio represents the proportion of Current Assets investment to Fixed Assets Investment of SALT and STCL of study period about, SALT, the percentage of Current Assets and it has fluctuating trend. The lower ratio of 551.36% of its Fixed Assets and it

has maximum of 1393.06% ratio of its Fixed Assets in the year 2065, Because of high fluctuation, the average of percentage of Current Assets to Fixed Assets is 990.65%. By analyzing the above ratio, the company has followed the aggressive financing policy.

Focusing the data presented of STCL in the above table, the percentage of Current Assets to Fixed Assets of SALT and STCL. The ratio represents the proportion of Current Assets investment to Fixed Assets investment of SALT and STCL of study period. About SALT, the percentage of Current Assets to Fixed Assets is in fluctuating trend. The lower ratio is 551.36% of its Fixed Assets and it has maximum of 1393.06% ratio of its Fixed. Assets in the year 2065.Because of high fluctuation, the average of percentage of Current Assets to Fixed Assets are 990.65%. By analyzing the above ratio, the company has followed the aggressive financing policy.

Focusing the data presented of STCL in the above table, the percentage of Current Assets to Fixed Assets is in continuously increasing trend except in the year 2064. The ratio varies from minimum of 145.49% to maximum of 620.05% in the year 2067. The average percentage of Current Assets to Fixed Assets is 345.00091%. which shows that STCL has also following aggressive financing policy.

The S.D. and CV is 213.68 and 21.57% of SALT and 124.0817 and 35.9656% of STCL repectively. That means the ratio of STCL is mote consistent than SALT because of minimum Standard Deviation and C>V. (Annex.&)

III. Percentage of cash and bank balance to current assets:-

The ratio directly affects the working capital management of the company. Lower ratio shows the sound liquidity management of the company. It is calculated by cash and bank balance divided by current assets, which is shown in following table

Table: 4.3

Percentage of cash and bank balance to current assets

Year	Salt Trading Limited		
	C & B Balance	**Current Assets**	**Ratio**
2057	9,956,708	141,695,879	7.03%
2058	17,005,380	274,381,110	6.20%
2059	17,129,745	330,855,566	5.18%
2060	32,688,084	369,306,977	8.85%
2061	27,673,492	501,254,556	5.52%
2062	21,768,023	584,066,537	3.72%
2063	36,234,519	688,806,277	5.26%
2064	46,299,307	661,540,301	7.00%
2065	42,799,139	742,915,108	5.76%
2066	35,027,847	837,617,119	4.18%
2067	63,078,051	1,024,125,024	6.16%
Mean			5,8964
SD			1.3534
CV			22.9530%

Above table shows the percentage of Cash and Bank Balance to Current Assets of the both Company SALT and STCL respectively. The data of SALT percentage in above exhibit fluctuating trend. It varies from minimum of 5.42% in the year 2067 to maximum of 41.31% in the year 2061. It has average ratio of 20.7936%, which seems higher for trading company like SALT.

Similarly, while focusing on the data of STCL presented in the above table, the data of STCL is also in fluctuating trend. The data varies from minimum of 3.72% in the year 2062 to maximum of 8.85% in the year 2060. It has average ratio of 5.8964%. the S.D. and C.V is 15.0397 and 72.0397 and 72.328% of SALT and 1.3534 and 22.9530% of STCL respectively. Which indicates STCL is more consistent.(Annex-8)

iv) Percentage of Cash and Bank Balance to Total Assets:

The higher ratio indicates the lower risk and lower profitability and lower ratio indicates higher risk and higher profitability.

Table: 4. 4

Percentage of Cash and Bank Balance to Total Assets

Year	Salt Trading Limited		
	C & B Balance	**Current Assets**	**Ratio**
2057	9,956,708	239,090,778	4.16
2058	17,005,380	392,560,880	4.33
2059	17,129,745	470,956,646	3.64
2060	32,688,084	519,087,123	6.30
2061	27,673,492	654,356,423	4.23
2062	21,768,023	744,799,926	2.92
2063	36,234,519	858,423,834	4.22
2064	46,299,307	844,885,015	5.48
2065	42,799,139	926,249,522	4.62
2066	35,027,847	1,023,065,044	3.42
2067	63,078,051	1,189,294,192	5.30
Mean			4.42
SD			0.9285
CV			21.0068%

The above table shows the percentage of Cash and Bank Balance to Total Assets of SALT and STC. The ratio represents the proportion of Cash and Bank Balance to Total Assets investment of SALT and STCL of Study period. About SALT, the percentage of cash and bank Balance to Total Assets is in fluctuating trend. The ratio varies from minimum of 4.86% in the year 2067 to maximum of 37.72% in the year 2061. The average ratio is 15.0055%.

Similarly, while focusing of the data of STCL, presented in the above table, the data of STCL is also in fluctuating trend. The data varies from minimum of 2.92% in the year 2062 to maximum of 6.30% in the year 2060. It has average ratio of 4.42% which seems very low for the company like STCL.

The S.D. and C.V is 10.7938 and 71.9323% of SALT and 0.9285 and 21.0068% of STCL respectively. That means, the ratio of STCL is more consistent than SALT because of minimum Standard Deviation and Coefficient of Variation. (Annex 9)

V) Percentage of Inventory of Current Assets and Total Assets:

The ratio shows the level of inventory in respect of Current Assets and Total Assets. Higher ratio indicates the higher storage of material and vice-versa.

Table: 4.5

Percentage of Inventory of Current Assets and Total Assets

Year	Salt Trading Corporation Limited				
	Inventory	**Current Asset**	**Ratio**	**Total Assets**	**Ratio**
2047	84,258,081	141,695,879	59.46%	239,090,778	35.24%
2048	87,876,154.	274,381,110	32.03%	392,560,880	22.39%
2049	135,202,794	330,855,566	49.93%	470,956,646	35.08%
2050	156,379,251	369,306,977	42.34%	519,087,123	30.13%
2051	163,223,380	501,254,556	32.56%	654,356,423	24.94%
2052	184,412,046	584,066,537	31.57%	744,799,926	24.76%
2053	205,564,257	688,806,227	29.87%	858,423,834	23.97%
2054	223,564,257	661,540,301	33.79%	844,885,015	26.46%
2055	239,706,122	742,915,108	25.09%	926,249,522	25.88%
2056	210,167,675	837,617,119	22.23%	1,023,065,044	20.54%
2057	227,694,892	1,024,025,024		1,189,294,192	19.15%
Mean					26.26.2309%
SD					5.0549%
CV					19.2708%

The above table shows the percentage of inventory to Current Assets and Total Assets of SALT for the 11 years of study period. Percentage of inventory to Current Assets of SALT ranges from minimum of 41.99% in the year 2061 to maximum of 91.31% in the year 2066. The data of the study period are in fluctuating trend. The average data of the study period is 64.0973%. Similarly, percentage of inventory to Total Assets of SALT is also in fluctuating trend. It is also varies from minimum of 38.34% in the year 2061 to maximum of 77.29% in the year 2066. It has average of 58.0264%.

The S.D. and CV for inventory to CA are 13.7925 and 21.5181% and Inventory to TA is 11.7332 and 20.2205% respectively. (Annex 10-A)

In other hand, the data of STCL presented in the above table shows that the percentage of inventory of Current Assets ranges from minimum of 22.23% in the year 2067 to maximum of 59.46% in the year 2057. The average ratio is only 35.5582%, which indicates there is low percentage. Percentage of inventory to Total Assets of STCL also indicates that there is low capacity of storage in the company. The ratio varies from minimum of 19.15% in the year 2067 to maximum of 35.24% in the year 2057. The average ratio is 26.2309%. the both data exhibit fluctuating trend during the study period. The S.D. and CV for inventory to CA are 10.4216 and 29.3086% and Inventory to TA is 5.0549 and 19.2708% respectively. (Annex 10-B)

vi. Percentage of Receivables to Current Assets and Total Assets

Receivable is one of the important components of the working capital. The ratio indicates the level of receivable in respect to Current Assets and Total Assets of the Company in the Study Period.

Table: 4.6

Percentage of Receivables to Current Assets and Total Assets

Year	Salt Trading Corporation Limited				
	Receivables	**Current Asset**	**Ratio**	**Total Assets**	**Ratio**
2047	41,332,654	141,695,879	29.17%	239,090,778	17.29%
2048	32,419,193	274,381,110	11.82%	392,560,880	8.26%
2049	58,631,404	330,855,566	17.72%	470,956,646	12.45%
2050	107,475,771	369,306,977	29.10%	519,087,123	20.70%
2051	172,454,261,	501,254,556	34.40%	654,356,423	26.35%
2052	247,141,308	584,066,537	42.31%	744,799,926	33.18%
2053	306,028,527	688,806,227	44.13%	858,423,834	35.65%
2054	226,981,200	661,540,301	34.31%	844,885,015	29.87%
2055	186,042,448	742,915,108	25.04%	926,249,522	20.09%
2056	330,229,077	837,617,119	39.42%	1,023,065,044	32.28%
2057	284,227,724	1,024,025,024	27.75%	1,189,294,192	23.90%
Mean					23.3655
SD					8.2586
CV					35.3453%

The above table shows the percentage of receivable to Current Assets and Total Assets of for the selected 11 years of study period. While focusing to the data presented in the above table, the ratio of SALT varies from minimum of1.06% in the year 2062 to maximum of 11.76% in the year 2057. The average ratio is 4.0791%. the ratio is almost in decreasing trend. It increases only in the year 2063, 2065 and 2067.

Similarly, receivable with respect to Total Assets varies from minimum of 1.54% in the year 2064 to maximum of 10.65% in the year 2057. The average ratio is 4.4955%. the ratio is in fluctuating trend.

The S.D. and CV for receivables to CA are 2.9269 and 71.7536% and receivables to TA are 3.004 and 68.8379% respectively. (Annex 11-A)

While focusing to the data of STCL presented in above table, the percentage of receivable to current Assets is in fluctuating trend. It varies from minimum of 11.82% in the year 2063. The average ratio is 30.4973%. Similarly, receivable with respect to Total Assets is varies from minimum of 8.26% in the year 2058 to maximum of 35.65% in the year 2063. The average ratio is 23.3655%.

The S.D. and CV for Receivables to CA are 9.4768 and 31.1021% and Receivable to T.A are 8.2586 and 35.3453% respectively. (Annex11-B)

4.2. Activity or Turnover Ratio

i. Analysis of Inventory Turnover Ratio

The inventory Turnover Ratio shows the number of times inventory is turning into receivables through sales. It shows the efficiency of the business concern in an inventory management utilization of sSaltk and vice-versa.

Table: 4.7

Analysis of Inventory Turnover Ratio

Year	Salt Trading Limited		
	Net Sales	**Average Inventory**	**Ratio**
2057	879,168,887	84,258,081	10.4342
2058	933,145,877	87,876,154.	10.6189
2059	1,292,429,039	135,202,794	9.5592
2060	1,526.779,746	156,379,251	9.7633
2061	1,558,432,808	163,223,380	9.5479
2062	1,557,361,465	184,412,046	8.4450
2063	1,957,396,526	205,564,257	9.5126
2064	1,738,452,487	223,564,257	8.8069
2065	1,842,372,311	239,706,122	7.2524
2066	1,580,455,250	210,167,675	8.7662
2067		227,694,892	6.9411
Mean			9.0589
SD			1.1197
CV			12.36%

The above table shows the inventory turnover ratio of STCL during the study period. Inventory Turnover ratio of STCL during the study period. Inventory Turnover Ratio of SALT seems steady in the beginning i.e. for 4 year 2057 to 2060. Then it increased up to 6.8918 times in 2061 and it became declining then after during study period. The ratio is ranging in between maximum of 6.8918 times to minimum of 1.1145 times.

While focusing on the data of STCL presented in above table inventory. Turnover Ratio exhibit decreasing trend in year 2058, 2503 and 2066. The ratio varies from maximum of 10.6189 in the year 2058 times to minimum of 6.9411 times in the year 2067. Decreasing trend indicates poor management of inventory in STCL.

The average ratio of sample Company are 3.2011 times (SALT) and 9.0589 times (STCL) Standard deviations are 1.4692 and 1.1197 respectively. The Coefficient of Variation(C.V) shows that there is higher fluctuation in SALT i.e. 45.90% and there is a lower fluction in STCL i.e. 12.36% which indicates that there is a consistency in inventory turn over of STCL that SALT.

The S.D. and CV are 1.4692 and 45.90% of SALT and 1.1197 and 12.36% of STCL respectively. (Annex. 12).

iv. Cash Turnover Ratio

Cash Turnover Ratio indicates the number of times the cash is turned over during the year.

Table: 4.8

Cash Turnover Ratio

Year	Salt Trading Limited		
	Net Sales	**C & B Balance**	**Ratio**
2057	879,168,887	9,956,708	88.30
2058	933,145,877	17,005,380	54.87
2059	1,292,429,039	17,129,745	75.345
2060	1,526.779,746	32,688,084	46.71
2061	1,558,432,808	27,673,492	56.32
2062	1,557,361,465	21,768,023	72.54
2063	1,957,396,526	36,234,519	54.02
2064	1,968,903326	46,299,307	42.53
2065	1,738,452,487	42,799,139	40.62
2066	1,842,372,311	35,027,847	52.60
2067	1,580,455,250	63,078,051	25.06
Mean			55.2745
SD			16.8839
CV			30.5455%

Above table shows the cash Turnover Ratio of STCL for 11 years of study period during 2057 to 2067.

The cash Turnover Ratio of STCL is o exhibt fluctuating trend during the study period. The average ratio of STCL is 55.2745 times and it varies from maximum of 88.30 times

in the year 2057 to minimum of 25.06 times in the year 2067. It is not in steady position even once in the study period.

The standard deviations of the sample company is 6.8839 times (STCL). The coefficient of variation (C.V.) shows that there less fluctuation in STCL i.e. 30.5455% (Annex15)

v. Analysis of Net Working Capital Turnover:

Higher Working Capital Turnover Ratio indicates greater Working Capital and the profits in the organization and lower working capital turnover indicates that Working Capital is not utilized efficieSalty.

Table: 4.9

Analysis of Net Working Capital Turnover

Year	Salt Trading Limited		
	Net Sales	**Net W/C**	**Ratio**
2057	879,168,887	(18.220,076)	48.2528*
2058	933,145,877	26,840,185	34.7667
2059	1,292,429,039	111,931,436	11.546
2060	1,526.779,746	187,350,492	8.1493
2061	1,558,432,808	210,770,524	7.3940
2062	1,557,361,465	254,579,120	6.1170
2063	1,957,396,526	414,634,957	4.7208
2064	1,968,903326	412,508,921	7.7730
2065	1,738,452,487	504,063,178	3.4489
2066	1,842,372,311	570,529,185	3.2292
2067	1,580,455,250	714,395,576	2.2123
Mean			3.7368
SD			18.5502
CV			496.4194%

Above table shows the net Working Capital Turnover Ratio of STCL for the 11 years of study period from 2057 to 2067. The data presented in the table shows that net Therefore, ratio is also in negative trend for 5 years. It has been gone through positive

trend from the year 2062 to till the date of study period. The maximum Net Working Capital Turnover Ratio is 1.8191 times, which seems very less.

While focusing to the data of STCL presented in the above table, there is a fluctuating trend of ratio during the study period. There is only one negative ratio in the year 2057. The maximum Net Working Capital Turnover Ratio of the STCL is 34.77 times in the year 2058. The average ratio is 3.7368 times. The standard deviation of STCL are 11.4167 times (STCL) respectively.

The coefficient of variation (C.V.) shows that there is highest fluctuation in SALT i.e. 627.6016% and STCL i.e. 496.4194%. Both Company have less consistency in net Working Capital turnover. There is less C.V. of STCL that SALT which indicates that there is less fluctuating trends of Net Working Capital Turnover Ratio in STCL that SALT. (Annex 16)

4.3 Liquidity Ratio

i. Analysis of Current Ratio:

The current ratio measure the short term solvency of the company and it shows the relationship between current assets and current liabilities.

Table: 4.10

Analysis of Current Ratio

Year	Salt Trading Limited		
	Current Assets	**Current Liabilities**	**Ratio**
2057	141,695,879	159,915,955	0.8861:1
2058	274,381,110	247,540,925	1.1084:1
2059	330,855,566	218,924,130	1.5113:1
2060	369,306,977	181,956,485	2.0296:1
2061	501,254,556	290,484,032	1.7256:1
2062	584,066,537	329,469,417	1.7727:1
2063	688,806,277	274,171,270	2.5123:1
2064	661,540,301	249,031,380	2.6565:1
2065	742,915,108	238,851,930	3.1104:1
2066	837,617,119	267,087,934	3.1361:1
2067	1,024,125,024	309,729,448	3.3065:1
Mean			2.1596
SD			0.8004
CV			37.06%

Cash Ratio is the ratio of Current Assets and Current Liabilities. The current ratio is considered to be standard when the ratio comes 2:1. The above table shows the liquidity position or current ratio of STCL for the year 2057 to 2067. While focusing on the data presented in the above table, STCL exhibit the fluctuating trend during the 11 years of study period.

During the study period, the current ratio of STCL varies from maximum of 3,3065 times in the year 2067 to a minimum of 0.8861 times in the year 2057 while comparing the average standard, STCL could not meet, the average standard in the year 2057, 048,049 and 0.52. on the other hand, STCL has more ratios than standard ratio in the year 2065,

056, and 057. Current ratio of STCL during the middle of the study period is very good as specified in comparison to the beginning and ending of the study period.

How ever, both current ratio of sample Company are in increasing trend then after up to last date of study period. The averages of sample Company are 1.0154 (SALT) and 2.1596(STCL) and standard deviations of the Company are 0.2069 (SALT) and 0.8004 (STCL) respectively.

The coefficient of variation (C.V.) shows that there is highest fluctuation in STCL than SALT i.e. 37.06% and there is less fluctuation in SALT i.e, 20.38% therefore C.V. of SALT seems satisfactory.(Annex 17).

ii. Quick Ratio

Quick Ratio also measures the liquidity position of the company. It reflects the availability of higher liquid assets, which can be converted into cash within limited period. The calculated values of quick ratio of both trading Company are given below in the tale

Table: 4.11

Quick Ratio

Year	Salt Trading Limited		
	Quick Assets	**Current Liabilities**	**Ratio**
2057	141,695,879	159,915,955	0.4311
2058	274,381,110	247,540,925	0.6876
2059	330,855,566	218,924,130	0.7519
2060	369,306,977	181,956,485	1.1712
2061	501,254,556	290,484,032	1.1693
2062	584,066,537	329,469,417	1,6821
2063	688,806,277	274,171,270	1.7293
2064	661,540,301	249,031,380	2.0255
2065	742,915,108	238,851,930	22.0255
2066	837,617,119	267,087,934	2.5095
2067	1,024,125,024	309,729,448	2.3617
Mean			1,4210
SD			0.6605
CV			46..48

Quick Ratio is regarding as the superior measuring method of liquidity position of the company because it excludes the less liquidity assets viz interiors and pre-paid expenses. Quick ratio of 1:1 is taken as standard norm. above table shows the quick ratio of STCL for the year 2057 to year 2067.

Quick ratio IF SALT is in fluctuating trend during the study period. It is 0.4026 times in the year 2057 but decreases to 0.2105 in next following year but it increases to 0.3550

times in 2060. Quick ratio varies from maximum of 0.4951 times in the year 2062 to minimum of 0.1868 times in the year 2067. SALT's quick ratio is also not ever been to 1:1 standard position during the study period.

About STCL, the quick ratio varies from maximum of 2.5095 times in the year 2066 to minimum of 0.4311 times in the year 2057. However, STCL is in increasing trend except in the year 2061 and 2067 it decreases. While comparing to the average standard, STCL could not meet the average standard in the year2057, 2058 and 2059. STCL has more that standard in the year 2063, 2064,2065, 2066 and 2067. It could able to meet the standard in 2060, 2061 and 2062.

The average of sample Company are 0.3120 times (SALT) and 1.4210 times (STCL) and standard deviation of the Company are 0.1044 & 0.6605 respectively, which shows satisfactory condition of STCL. The coefficient of variation (C.V.) shows that there is highest fluctuation in STCL i.e. 46.48% and there is less fluctuation in SALT I.E. 33.51% (Annex 18).

4.4 Profitability Position:

i. Gross Profit Margin Ratio:

Gross Profit Margin measures the efficiency of operations of the corporations

Table: 4.12

Profitability Position

Year	Salt Trading Limited		
	Net Sales	**Gross Profit**	**Ratio**
2057	879,168,887	24,865,142	0.0283
2058	933,145,877	42,763,009	0.0458
2059	1,292,429,039	37,877,030	0.0293
2060	1,526.779,746	35,497,065	0.0232
2061	1,558,432,808	54,484,836	0.0350
2062	1,557,361,465	68,562,791	0.0440
2063	1,957,396,526	84,499,659	0.0432
2064	1,968,903326	130,970,386	0.0665
2065	1,738,452,487	129,428,456	0.07445
2066	1,842,372,311	131,541,788	0.0714
2067	1,580,455,250	133,574,921	0.0845
Mean			0.0496
SD			0.02
CV			40.32%

The above table shows the Gross Profit Margin ratio of the sample Company STCL. Gross Profit Margin of SALT indicates variation between maximum of 0.1832 times i.e. 18.32 % in the year 2064 to a minimum of 0.0592 times i.e.

Gross Profit Margin of the STCL varies from maximum of 0.0845 i.e. 8.45% in the year 2067 to minimum of 0.0232 times i.e. 2.32% in the year 2060. The ratio of STCL is also in fluctuating trend. The average ratio is only 0.0496 times i.e. 4.96% which seems very low for the trading concern like STCL. Moreover, most of the years STCL is unable to fulfill the average standard of 4.96%. however, in later years from 2064 to 2067, it is able to meet the average standard.

The standard deviations are 0.038 (SALT) times and 0.02 (STCL) times respectively. The coefficient of variation (C.V) shows that there is highest fluctuation in STCL i.e. 40.32% and there is less fluctuation SALT i.e. 31.50%. it shows that there is less consistency in STCL that SALT in Gross Profit Margin. (Annex 19)

ii. Net Profit Margin Ratio:

The ratio measures the relationship between net profit and sales of the enterprise.

Table: 4.13

Net Profit Margin Ratio

Year	Salt Trading Limited		
	NPAT	**Net Sales**	**Ratio**
2057	4,176,837	879,168,887	0.4751%
2058	8,443,317	933,145,877	0.9048%
2059	7,770,727	1,292,429,039	0.6012%
2060	7,345,370	1,526.779,746	0.4811%
2061	5,355,292	1,558,432,808	0.3436%
2062	6,055,572	1,557,361,465	0.3888%
2063	7,452,491	1,957,396,526	0.3807%
2064	7,617,349	1,968,903326	0.3869%
2065	7,833,456	1,738,452,487	0.4506%
2066	5,282,830	1,842,372,311	0.2867%
2067	(15,232,585)	1,580,455,250	0.9638%
Mean			**0.3396%**
SD			**0.4410**
CV			**129.86%**

The above table shows the net profit margin of STCL. The maximum ratio of is 5.339% in the year 23054. It reaches to negative figure only in the year 2057. Thereafter, it is in fluctuating trend.. Most of the nations couldn't able to meet the average ratio during the study period.

The net Profit Margin of STCL fluctuation is from maximum of 0.9048 % in the year 2058 to minimum of -0.9638% i.e. negative figure in the year 2067. The net profit margin ratio of STCL is also in fluctuating trend. It seems to be steady in the middle of the year from 2061 to 2064. The average ratio of the STCL IS 0.3396% Although, the average ratio and other ratios seems too low. It almost able to meet the average during the study period except in the year 2066 and 2067.

The standard deviation of the STCL is 0.4410% , Coefficient of Variations (C.V) is 129.865% of STCL, which shows that there is a high fluctuation in STCL. (Annex 20).

iii. Operating Ratio

The operating ratio reflects the working result in the business. It indicates whether the business is running efficieSalty or not. Generally, high operating ratio indicates the inefficiency of the certain organization.

Table: 4.14

Operating Ratio

Year	**Salt Trading Limited**		
	Op exp + CGS	**Net Sales**	**Ratio**
2057	878,206,535	879,168,887	99.8905%
2058	921, 510,630	933,145,877	98.7531%
2059	1,292,741,623	1,292,429,039	100.0242%
2060	1,544,402,318	1,526.779,746	101.1542%
2061	1,578,297,567	1,558,432,808	101.2747%
2062	1,570,166,036	1,557,361,465	100.8222%
2063	1,958,252,024	1,957,396,526	100.0437%
2064	1,962,566,493	1,968,903326	99.6768%
2065	1,734,760,845	1,738,452,487	99.7876%
2066	1,839,281,712	1,842,372,311	99.8322%
2067	1,600,302,074	1,580,455,250	101.2684%
Mean			**100.2298**
SD			**0.7632**
CV			**0.76%**

The above table shows the operating ratio of STCL for the year 2057 to 2067 of 11 years study period.

While focusing on the data of SALT, presented in the above table, the ratio varies from maximum of 102.8098% in the year 2067 to minimum of 91.1126% in the year 2062. The average operating ratio stands about 97.1135% which seems extremely high. All the ratio are ranging in between 91% to 103% during the study period, which is not favorable for the trading concern like SALT.

Similarly, the ratio of STCL is also seems very high during the study period. The ratio fluctuation is only from minimum of 98.7531% in the year 2058 to maximum of 101.2747% in the year 2061. The average ratio is 100.2298% which is extremely high. It indicates the inefficiency of the company.

The standard deviation (S.D) of STCL 0.7632 %. The Coefficient of Variation (C.V) of SALT is 3.78% and 0.76% if STCL, which shows that there is less fluctuation the inefficiency of the company.

The standard deviation (S.D) of STCL 0.7632%. The Coefficient of Variation (C.V) of STCL is 0.76% if STCL.

iv. Return on Total Assets

Return on Total Assets is a useful measure of profitability of all financial resources invested in the firm's assets. It evaluates how effectively the total Assets. It evaluation how effectively the Total Assets of an enterprise is being utilized.

Table: 4. 15

Return on Total Assets

Year	Salt Trading Limited		
	NPAT	**TA**	**Ratio**
2057	4,176,837	239,090,778	1.75%
2058	8,443,317	392,560,880	2.15%
2059	7,770,727	470,956,646	1.65%
2060	7,345,370	519,087,123	1.42%
2061	5,355,292	654,356,423	0.82%
2062	6,055,572	744,799,926	0.81%
2063	7,452,491	858,423,834	0.87%
2064	7,617,349	844,885,015	0.90%
2065	7,833,456	926,249,522	0.85%
2066	5,282,830	1,023,065,044	0.52%
2067	(15,232,585)	1,189,294,192	1.28%
Mean			**0.9509**
SD			**0.8530**
CV			**89.71%**

In the above table shows the return on Total Assets ratio of STCL for the year 2057 to 2067. While focusing on the data presented in the above table, STCL exhibit the fluctuating trend during the study period.

About STCL, the maximum return on Total Assets Ratio is only 2.15% in the year 2059. It also negative figure in the year 2067 i.e-1.28%, which shows the negative return of Total Assets. The average ratio of company is 0.9509%, which is very less. During the study period most of the ratios are in decreasing trend except the year 2058, 2063 and 2064.

The standard deviation of the SALT is 3.5454 and .8530 of STCL. The Coefficient of Variation (C.V.) of the Company is 79.17% of SALT and 89.71% of STCL, which shows that there is high fluctuation on return on Total Assets in STCL. (Annex 22)

v. Return on Net Worth (RNW):

Return on Net Worth measures the return as equity funds invested in business enterprise. Higher the ratio, the efficient is the firm in using equity funds. In the other words, the ratio indicates how the corporation will have used the resources of the owners.

Table: 4.16

Return on Net worth (RNW)

Year	Salt Trading Limited		
	NPAT	Net Worth	Ratio
2057	4,176,837	45,104,414	9.26%
2058	8,443,317	49,419,031	17.09%
2059	7,770,727	51,604,311	%15.06
2060	7,345,370	55,258,184	13.29%
2061	5,355,292	56,943,247	9.40%
2062	6,055,572	59,428,094	10.19%
2063	7,452,491	61,299,886	12.16%
2064	7,617,349	63,209,709	12.05%
2065	7,833,456	64,310,939	12.18%
2066	5,282,830	64,161,242	8.23%
2067	(15,232,585)	88,521,835	17.21%
Mean			**9.2455**
SD			**8.7392**
CV			**94.52%**

The above table shows the return on net worth ratio of STCL from the year 2057 to 2067 for 11 years of study period.

In the study period, return on net worth ratio of SALT is in fluctuating trend. About half of figures are in negative form indicates that firm is being inefficient using equity funds.

The maximum return on net worth is only 33.37% in the year 2064. The average if the ratio is also in negative figure during the study period.

About STCL, it is also in fluctuating trend. The maximum return on Total Assets is 17.09% in the year 2058. It has only one negative figure in the year 2067 i.e. -17.21% which indicates the negative return of Total Assets. The average ratio of the company is 9.2453% during the study period.

The standard deviation of the SALT is 59.3835 and that of STCL is 8.7352. the Coefficient of Variations (C.V) of the Company are -442.20% (SALT) and 94.52% (STCL) respectively. (Annex 23)

vi. Return of Current Assets (Return on Working Capital):

It measure the profit respect to Current Assets. Higher ratio indicates higher utilization of Current Assets to earn profit and vice-versa.

Table: 4.17

Return of Current Assets (Return on Working Capital):

Year	**Salt Trading Limited**		
	NPAT	**Current Assets**	**Ratio**
2057	4,176,837	141,695,879	2.95%
2058	8,443,317	274,381,110	3.08%
2059	7,770,727	330,855,566	2.35%
2060	7,345,370	369,306,977	1.99%
2061	5,355,292	501,254,556	1.07%
2062	6,055,572	584,066,537	1.04%
2063	7,452,491	688,806,277	1.08%
2064	7,617,349	661,540,301	1.15%
2065	7,833,456	742,915,108	1.05%
2066	5,282,830	837,617,119	0.63%
2067	(15,232,585)	1,024,125,024	1.49%
Mean			**1.3545**
SD			**1.2032**
CV			**88.08249%**

The above table shows the return on Current Assets ratio STCL for 11 years of study period from 2057 to 2067.

The ratio of SALT during the study period is in fluctuating trend. It varies from maximum of 13.01% in the year 2061 to minimum of -9.87% in negative figure in the year 2057. The average ratio of the SALT is 4.1191% during the study period.

While focusing on the data of STCL presented in the above table, the ratios are also in fluctuating trend but from the year 2061 to 2065 it is almost steady or same. The ratio varies from maximum of 3.08% in the year 2058 to minimum of -1.49% in negative figure in the year 2067. The average ratio of the company is 1.3543 % during the study period.

The standard deviations of the Company are 5.5784% (SALT) and 1.2032% (STCL)respectively. The Coefficient of Variation (C.V.) of the SALT is 135.4276%, which indicates high fluctuation in the company and there is 88.8249%, in the STCL, which shows that there is lower fluctuation that SALT in the STCL. (Annex 24)

4.5 Analysis of Cash Conversion Cycle:

Liquidity is an important factor in determining a firm's working capital policy. Liquidity has two major aspects ongoing liquidity and protective liquidity. Out of which, ongoing liquidity refers to the inflows and outflows of cash. So, it is important to go through the cash flow of the company with the help of analyzing firm's cash conversion cycle.

A cash conversion cycle reflects the net time interval in days between actual cash expenditure of the firm on productive resources and ultimate recovery of cash. The cash conversion cycle is calculated as follows.

Cash Conversion Cycle = inventory conversion period + Receivable conversion period – Payable deferral period.

To analyze the cash conversion cycle, first of all it should be analyzed inventory conversion period, receivable conversion period and payable deferral period.

1. Inventory Conversion Period:

Inventory Conversion period indicates the efficient of the firm in selling its product. The short period indicates fast conversion of inventory to sales and the long period indicates slow conversion period of inventory to sales. It can be calculated as follows:

Inventory Turnover =Sales / Inventory

ICP = 360 / IT

Table: 4.18

Inventory Conversion Period

Year	**Days in a year**	**Salt Trading Limited**
		Inventory Conversion Period
2057	360	29days
2058	360	40 days
2059	360	46days
2060	360	37 days
2061	360	42 days
2062	360	44 days
2063	360	41 days
2064	360	41 days
2065	360	53 days
2066	360	32 days
2067	360	66 days
Mean		43 days
SD		9.58
CV		222%

The calculation of inventory conversion period of STCL in the above table has shown fluctuating trend in the study period. It varies from maximum of 214 days in the year 2065 to minimum of 42 days in the year 2067. The maximum period refers the slow inventory turnover and minimum period refers the fast inventory turnover. The average inventory conversion period id found 117 days. The standard deviation and coefficient of variation are 48.62- 49days and 41.55% respectively.

Similarly, the calculation of STCL has shown the increasing trend except in the year 2060, 2063 and 2066. The maximum days and minimum days are ranging in between 66 days in the year 2067 to 29 days in the year 2057. Which shows that STCL has control on its inventory into sales. The average inventory conversion period of STCL is 43 days. The standard deviation and coefficient of variation are 9.58 – 10 days and 22.28% respectively.

2. Analysis of Receivable conversion period:

Receivable conversion period indicates the number if days debtor turnover into cash. It analyzes the determining collectability of debtors. The longer the collection period, more efficient is the management of credit policy or it refers liberal credit policy and short period refers the strict credit policy. The receivable conversion period is calculated as follows:

Table: 4.19

Analysis of Receivable conversion period

Year	**Days in a year**	**Salt Trading Limited**
		Receivable Conversion Period
2057	360	4days
2058	360	4 days
2059	360	7days
2060	360	7 days
2061	360	7 days
2062	360	32 days
2063	360	36 days
2064	360	23 days
2065	360	27 days
2066	360	27 days
2067	360	31 days
Mean		19 days
SD		12.16
CV		64%

The calculation of receivable conversion period of SALT in the above table depicts decreasing trend except in the year 2060, 2063,2065 and 2067. It varies in between maximum of 26 days in the year 2057 to minimum of 2 days in the year 2062. Low collection period indicates fast conversion of receivable and long collection period indicates slow conversion period in 8 days. The S.D. and C.V. are 6.47 and 8.88% respectively.

Similarly, while focusing to the data presented of STCL in the above table the receivable conversion period is in increasing trend except in the year 2064.

The RCP varies from minimum of 4 days in the year 2057, 2058 and 2059 to maximum of 36 days in the year 2063. The average receivable conversion period of STCL is 19 days. The S.D and C.V. of STCL are 12.16 – 12 days and 64% respectively.

The CV of SALT is higher than STCL, which means scatterdness of SALT is higher than STCL. (Annex 26)

3. Analysis of payable Conversion Period

Payable conversion period indicates the speed of creditors payable. A hight payable conversion period is favorable for the company. Payable deferred (Conversion) period is calculated as follows:

Table: 4.20

Analysis of payable Conversion Period

Year	**Salt Trading Limited**		
	Creditors	**Purchase**	**(A/P X 360 / Purchase)**
2057	144,029,260	774,554,267	67
2058	238,052,593	837,455,303	102
2059	210,475,950	1,250,205,704	61
2060	174,976,563	-1,395,396,411	45
2061	282,052,748	1,405,925,738	72
2062	319,534,828	1,361,653,332	84
2063	265,723,764	1,739,437,406	55
2064	209,958,013	1,641,353,392	46
2065	246,134,174	1,440,691,174	62
2066	293,167,030	1,444,774,436	73
2067	246,423,761	1,379,321,420	64
Mean			66days
SD			15.70
CV			23.79%

The calculation of payable deferral period of SALT in the above table indicates fluctuating trend in the study period. In the study period, PDP varies from maximum of

176 days in the year 2057 to minimum of 41 days in the year 2063. The average payable period of 92 days has been taken by the company for the payment of trade creditors. This S.D. and C.V of the SALT are 44.72 days and 48.61 % respectively.

Similarly, the calculation of STCL has also shows the fluctuation trend during the study period. It varies from maximum of 102 days in the period is 66 days. The S.D. and CV are 15.70 days and 23.79% respectively.

The average period of SALT is greater than the average period of STCL which indicates that SALT has long credit period from its creditor with compare to STCL. The S.D. and C.V of SALT are higher than STCL. It means variation of PDP of SALT is greater than STCL. (Annex 27)

Calculation of Cash Conversion Cycle (CCC)/ Operating Cycle:

Cash conversion cycle shows how many times does it takes to convert the receivable into cash, inventory turnover into cash and how much time it take to repay its obligation. Shortly, it refers the cash inflow and outflow of the company. The cash conversion cycle is calculated as follows:

Table: 4.21

Cash Conversion Cycle

Year	Salt Trading Limited			
	ICP	**RCP**	**PDP**	**CCC**
2057	29	4	67	-34
2058	40	4	102	-58
2059	46	7	61	-8
2060	37	7	45	-1
2061	42	7	72	-23
2062	44	32	84	-8
2063	41	36	55	22
2064	41	23	46	18
2065	53	27	62	18
2066	32	27	73	-14
2067	66	31	64	13
Mean				
SD				
CV				

The above table shows that cash conversion cycle of STCL for the study period of 11 years from 2057 to 2067. Above data shows fluctuate trend in the both Company during the study period.

The maximum and minimum days of SALT are ranging in between 172 days in the year 2065 and 71 days in the year 2060. Longer cash conversion period indicates even the strong liquidity position of the firm, firm could not pay its debt in time and firm must

search loan to pay the obligation and for the daily operation of firm. SALT has average cash conversion cycle of 33 days, which seem to be satisfactory for the future prosperity of the company. The S.D. and CV are 72.18 – 72 and 218.72 % respectively.

Similarly, the cash conversion cycle of STCL is also fluctuating during the study period. The average cash conversion of STCL is 5 (negative form), which seem to be very satisfactory for short period but in long period it will deteriorate the credit worthiness of the company. Firm could not get the credit due to the company delay in paying obligation STCL has maximum of 33 days in the year 2067 and minimum of 58 in the year 2058. The SD and CV are 25.80 days and 516% respectively. Which indicates that variation of SALT is higher than STCL? SALT hasn't been able to make consistency on cash conversion cycle.(Annex 28)

4.6 Correlation Analysis

Correlation Analysis is used to measure the degree of association between two or more variables. So, for the researcher, correlation analysis is a useful tool in many ways such as,

1) To determine whether the relationship exists or not
2) Whether the relationship significant or not
3) Establish cause and effect relation if any

Here, correlation analysis has been used to see how far the relationship between variables provides meaningful implication or not.

i) Relationship (Correlation) between current assets and current liability

Table: 4.22

Relationship (Correlation) between current assets and current liability

Company	Coeff. Of Correlation (r)	Relationship	r^2	P.E.	Significant / Insignificant
STCL	0.6742	Positive	0.4545	0.1109	Significant

The above table depicts the relationship between current assets and current liabilities of Company STCL during the year study period of 11 years from 2057 to 2067. Coefficient of Correlation (r) between Current Assets and Current Liabilities of STCL is 0.6742. Which shows that there is positive correlation between Current Assets and Current Liabilities in both Company.

The coefficient of determination (r^2) is the square of the correlation coefficient and it measures the extent of association between the two variables. Coefficient of determination between Current Assets and Current Liabilities of SALT and STCL are 0.6150 and 0.4545 respectively. It means that the variations in the independent variable Current Assets explain 61.50% & 45.45% in dependent variable. (Annex 29)

To measure the significant of the relationship between Current Assets and Current Liabilities of the two concerned trading Company, it would be more preferable to calculate Probable Error (P.E) of correlation coefficient. The table depicts the coefficient of correlation (r) of STCL is greater than the P.E. The relationship between Current Assets and Current Liabilities obviously is significant and it is no doubt that if Current Assets increases the Current Liabilities will also increase and vice versa.

(ii) Relationship between current assets and sales.

Table: 4.23

Relationship between current assets and sales

Company	Coeff. Of Correlation (r)	Relationship	r^2	P.E.	Significant / Insignificant
STCL	+0.76	Positive	0.5776	0.5776	Significant

The above table supported to depict the relationship between Current Assets and sales of two trading Company. The coefficient of Correlation (r) between Current Assets and Sales of SALT and STCL are -0.015 and 0.76 respectively. Similarly, the coefficient of determination is 0.000225 and 0.5776. It means that the variations in the independent variable Current Assets explain 57.76 in dependent variable in STCL and only 0.02% in SALT. About SALT since the coefficient of variable (r) is less than 6.P.E. It is insignificant but in case of STCL (r) is greater than P.E. So, there is significant relationship. (Annex 30)

(iii) Relationship (Correlation) between sales and receivable

Table: 2.24

Relationship (Correlation) between sales and receivable

Company	Coeff. Of Correlation (r)	Relationship	r^2	P.E.	Significant / Insignificant
STCL	0.8441	Positive	0.7125	0.058	Significant

The above table shows the relationship between sales and receivable. The coefficient of correlation (r) between sales and receivable are -0.7109 and 0.8441 of SALT and STCL respectively, Similarly, the coefficients of determination (r^2) are 0.5054 and 0.7125 of SALT & STCL. Between these two trading Company, STCL has relatively high degree of coefficient of determination i.e. sales explain 71.25% of variation in receivable. About

SALT since the coefficient of variation (r) is less in case of STCL (r) is greater than P.E. So, there is significant relationship and it can be conclude that receivable increase at increasing trend of sales and vice-versa. (Annex 31)

(iv) Correlation Between sales and Inventory

Table: 4.25

Correlation Between sales and Inventory

Company	Coeff. Of Correlation (r)	Relationship	r^2	P.E.	Significant / Insignificant
STCL	+0.909ss	Positive	0.7125	0.058	Significant

The above table depicts the relationship between sales and inventory. The coefficient of correlation (r) between sales and inventory is 0.909 of STCL.. Similarly, the coefficient of determination (r^2) is 0.8263 od STCL Between these two trading ompany, STCL has relatively high degree of coefficient of determination i.e. sales explain 82.63% of variation in inventory. (Annex 32)

The coefficient of variation (r) of SALT is less than 6 P.E. therefore it has insignificant relationship. But in the case of STCL (r) is greater than P.E. So, there is significant relationship and it is clear that if a sale increase, the inventory will also increase and vice-versa.

(v) Correlation between Net Profit and Net Working Capital

Table: 26

Correlation between Net Profit and Net Working Capital

Company	Coeff. Of Correlation (r)	Relationship	r^2	P.E.	Significant / Insignificant
STCL	-5498	Positive	0.3023	0.1419	Significant

The above table depicts the relationship between Net Profit and Net Working Capital. The correlation coefficient SALT and STCLA are 0.2478 and -05498 respectively. The coefficient of determination of STCL i.e. 0.3023 shows the high degree than SALT it

says (independent variable) Net Profit explains 30.23% of variation in Net Working Capital and SALT has only 6.14% of coefficient of determination. (Annex 33)
The correlation of coefficient (r) of both SALT and STCL are less than 6P.E.. So, the relationship is significant. Actually, the Net Working Capital is not dependent upon Net Profit.

4.7 Major Findings:

1. The CA with respect to TA and FA of SALT and STCL both are in fluctuating trend. The ratio of SALT is ranging in between 93.30% in the year 2065 and 84.65% in the year 2066 with the average ratio of 90.76% Similarly, in the case of CA with respect to FA is ranging in between 551.36% and 1393.06% with the average percentage of 990.65% Similarly in the case of STCL, the ratio of CA with respect to TA is varied in between minimum of 59.26% in the year 2057 to maximum of 86.11% in the year 2067 with the average of 75.66%. the CA with respect to FA is ranging in between 145.49% to 620.05% with the average of 345.0009%. the high level of TA and FA in SALT indicates that it has relatively high amount of working capital in its daily business activities than STCL. As high ratio indicates the aggressive financing policy of the company SALT and STCL both trading Company has followed aggressive Financing Policy.

2. The Current Assets level with respect to Total Assets of SALT are in increasing trend except in the year 2059 and 2066. It increases from 84.65% to 93.30% with an average of 90.76%. Similarly, with respect to the Net Fixed Assets, it is also in almost increasing trend. The Net Fixed Assets is every year more than two times smaller than its Current Assets. The ratio of Current Assets to Net Fixed Assets are increased from 551.36% to 1393.09% with an average of 990.65% Similarly, while focusing to the STCL is also in increasing trend except in the year 2063. It increases from 59.26% to 86.11% with an average of 75.66% with respect to the Net Fixed Assets. It is also in increasing trend except in the year 2064. The Net Fixed Assets of STCL is also in every year more than two times smaller that it's Current Assets. The ratios of Current Assets to Net Fixed Assets are increased from 145.49% to 620.05% with an average of 345.00091% which clearly shoiws that the investment in Current Assets is high in both \the trading Company

with respect to its Total Assets and Net Fixed Assets of the Current Assets, Cash and Bank Balance holds the largest portion and has fluctuating trend in the SALT. Having such large amount of idle cash balance in the SALT is due to mismanagement of cash. The range of its fluctuating raised from 5.42% to 41.31%. the average cash balance with respect of Current Assets in the SALT is 20.79% Similarly, the cash and bank balance to Total Assets are ranging from 4.86% to 37.72% with an average of 15.0055% Similarly, of the Current Assets, cash and bank balance holds relatively smallest portion in the STCL and it is in decreasing trend except in the year 2060, 2063,2064 and 2067. The ratio of cash and bank balance to Current Assets are ranging in between 3.72% to 3.72% to 8.85% during the study period with an average of 5.8964% Similarly, the cash and bank balance to Total Assets are ranging from 2.92% to 6.30% with an average of 4.42%. Inventories are the next major component of Current Assets of Current Assets inventory holds the largest portion of SALT and ranging from 41.99% to 91.31% in the increasing trend except in the year 2061 and 2067 with an average of 64.0973%. the inventory to Total Assets ratio is also in fluctuating trend with the variation of 38.34% to 77.29%. it has an average of 58.0264% Similarly, in the STCL, it fluctuated from 59.46% to 22.23% of total Current Assets with and average of 35.5582%. It is in decreasing trend except in the year 2059 and 2064. The inventory to Total Assets ratio is also in fluctuating with 19.15% to 35.24% with an average of 26.2309%.

Of the Current Assets the receivable portion of SALT are found in decreasing trend except in the year 2060. The ratio varies from 11.76% in the year 2057 to 1.06% in the year 2062 with an average of 4.0791% Similarly, the position of receivable to Total Assets is ranging from 10.65% to 1.54% with an average of 4.4955% of the current Assets, the receivable position of STCL is fluctuating year after year and it ranged in between 44.43% to 11.82% with an average of 30.49% during the study period. In relation to Total Assets receivables is also fluctuating and ranged from 35.65% to 8.26% with an average of 23.3655%

3. The turnover position of the SALT and STCL both are in fluctuating trend. The inventory turnover position of SALT is ranging from 1.1145 times to 6.8918 times. The

average inventory turnover position of the company is found 3.2011 times, which indicates that there is unsatisfactory inventory management system in SALT. The receivable turnover position of the SALT is also in fluctuating trend and ranging from 184.15 times to 13.85 times with an average of 69.19 times. The company has able to maintain its average collection period in an average of 8 days , which has found to be ranging from 2 days to 26 days which indicates the poorly managed receivable position in SALT. Higher turnover ratio of 2.8939 times to minimum of 0.7452 times with an average of 1.9003 times which is not satisfactory. The cash turnover is ranging from 6.09 times to 38.49 times with an average fluctuating of 16.29 times. The net Working Capital turnover is also fluctuating year after year and even it reaches to negative figure in the first 5 years of study period. So, the decreasing and fluctuating trend of various turnover indicates that Current Assets are not properly utilized in the SALT.

4. The liquidity position of SALT and STCL is analyzed with the current ratio and quick ratios. Current ratio of SALT is ranging in between 0.7281:1 to 1.2635:1. The company's average current ratio is 1.0154:1 times during the study period, which is below the standard 2:1. It indicates poor liquidity position of SALT. The quick ratio of the company is ranging in between 0.1868 times to 0.4951 times and company is ranging in between 0.1868 times to 0.4951 times and company average 0.3120:1, which is less the standard 1:1. It shows that company has not been able to convert current ratio and quick ratio both revealed that unsatisfactory liquidity position of SALT and thereafter to increase the financial position for Working Capital.

5. Profitability ratios generally measure the operating efficiency of the company. The profitability position of SALT and STCL has been analyzed through varies angles. About SALT the Gross Profit Margin and Net Profit Margin are in fluctuating trend. The range of fluctuation is from 5.92% to 18.32% where as Net Profit Margin form 5.3390% to negative figure in the year 2057, which shows on return in that year. In an average during the study period the Gross Profit Margin is found 12.19% and Net Profit Margin is found 2.4956%. the operating ratio is found 9.1135% in an average of the study period. The ratio ranges from 91.1126% to 102.8098%. the Gross Profit Margin, Net Profit Margin

and high level of operating ratio indicates the operating inefficiency in the SALT. The return on Total Assets employed of SALT is in fluctuating trend, which ranges from negative figure of -0.88% to 11.87%. in an average the company has got return of 4.4782% on its Total Assets employed which seems very low for the company like SALT. The return on Net Worth is also in fluctuating trend. About half of the figures are in negative form. The average return on Net Worth is also negative Similarly, return on employed Current Assets is in negative form in the year 2057. Then after, it has able to receive return on Current Assets. The average ratio of return on Current Assets (Working Capital Employed) is 4.1191% only. So, the overall return position of the company is not in favourable condition. It is because of inefficient utilization of Current Assets, Total Assets and shareholders wealth.

Similarly about STCL the Gross Profit Margin and Net Profit Margin are in fluctuating trend. The arrange of Gross Profit Margin is fluctuating from 2.32% to 8.45% where as Net Profit Margin is fluctuating from minimum of negative figure -0.9638% to maximum of 0.9638% to maximum of 0.9048% in the year 2058. In an average during the study period, the Gross Profit Margin is 4.96% and Net Profit Margin is found to be 0.3396%. The operating ratio of STCL is found to be 100.23% in average and varies from minimum of 98.75% to maximum of 101.27% in 2061. Therefore, the low gross profit, net profit and extremely high level of operating ratio indicates the operating inefficiency of the STCL. The return on Total Assets employed of STCL is also in fluctuating trend and ranges from negative figure -0.128% to maximum of 2.15%. the company has average of 0.9509% on return on Total Assets employed, which seems very low. The return on net worth is also in fluctuating trend. It has one negative figure in the year 2067. The maximum return on Total Assets is also not satisfactory. It also varies from negative figure to maximum of 3.08% only and average is 1.35% only. Therefore, we can conclude that the overall return position of STCL is also not in favorable or satisfactory position because of same reason i.e. inefficient utilization of Current Assets, Total Assets and Shareholders wealth.

6. The finding on cash conversion cycle, (Inventory, receivable, payable and cash) of SALT and STCL are presented as follows.

The inventory conversion period of SALT is ranging in between minimum of 42 days in the year 2067 to maximum of 214 days in the year 2065. Thus, inventory conversion period is widely varied during the study period. The average inventory conversion period is 117 days. The average receivable conversion period of SALT is 8 days. The longest and shortest RCP are 26 days to 2 days. The average payable conversion period is 92 days. The highest period is 41 days. It is due to short credit period from its trade credit. Average cash conversion cycle 33 days of National trading company, for the study period seem to be satisfactory for the short period. The data of SALT is ranging from maximum of -71 days in the year 2060.

Similarly, the inventory conversion period of STCL is ranging in between 66 days in the year 2067 to 29 days in the year 2057. It has the average inventory conversion period of 43 days. The receivable conversion period of STCL indicates trend except in the year 2064. RCP varies from minimum of 4 days to maximum of 36 days. It has average RCP of 19 days. The payable deferral period varies form maximum of 102 days in the year 2060. The average period is 66 days. The average cash conversion cycle of the STCL is in negative form i.e.-5, which seem satisfactory for short run. STCL has maximum of 33 days in the year 2067 and minimum of -58days in the year 2058. The analysis of STCL has shown that long PDP and short ICP and RCP, which is favorable for the company but it will cause negative impact from its trade creditors.

Major Findings of Statistical Analysis

- The analysis shows that the correlation coefficient between Current Assets and Current Liabilities is fairly positive in both Company. There is significant relationship between Current Assets and Current Liabilities.
- Correlation between Current Assets and Sales of SALT and STCL are -0.015 and 0.76 respectively which indicates SALT has insignificant relationship and STCL has significant relationship. So, there is no correlation in SALT.

- Similarly, correlation between sales and receivable shows SALT has negative coefficient of correlation and insignificant relationship but STCL has positive correlation and significant relationship but STCL has positive correlation and significant relationship. The analysis shows that STCL has relative high degree of coefficient of determination.
- In the same way, correlation between sales and inventory also shows SALT has negative coefficient of correlation and insignificant relationship and STCL has relatively high degree of positive coefficient of correlation and significant relationship.
- Correlation between Net Profit and Net working capital is negative in both cases with insignificant relationship because the correlation of coefficient of both SALT and STCL are less than 6 P.E. This implies that Net Profit and Net working capital is not correlated.

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

The term “working Capital Management” is a very sensitive area of financial management, abundaSalty used by trading sectors to improve their efficiency for the betterment of their organization. “A Study of Working Capital Management with respect to National Trading Limited and Salt Trading Corporation Limited” is an exciting and challenging study with special reference to trading industries. The study mainly aimed at examining the working capital position of trading Company.

For the purpose of the study, the necessary data on working capital and other related variables have been collected from secondary source and presented in previous chapter. The available literatures on working capital management are reviewed and appropriate research methodology is also described. Then, all the data are tabulated and analyzed by applying various important financial as well as statistical tools and techniques. Now, in this chapter attempt has been made to conclude the study by pointing the major findings and give some suggestions for future course of action.

This study has focused on the liquidity position, profitability position and efficiency of working capital, cash flow cycle and overall working capital management policy of SALT and STCL. To accomplish this objective of the study, different financial variables and statistical tools like means, Standard Deviation, Coefficient of Variation, Coefficient of Correlation and Probable Error has been used for the meaningful interpretation of the data. The analysis found out that SALT has relatively high amount of current assets compared to STCL. Both Company haven’t maintained the current assets properly. It has poor liquidity position in SALT rather than STCL. Similarly, both trading Company could not able to maintain the operating efficiency, which indicates that Company have to improve overall working capital policy to survive in present completive market.

5.2 CONCLUSION

In conclusion, it can be said that working capital is most important part of trading Company and it should not be neglected. Trading Company are not getting prosperous position due to their administrative negligence in day-to-day operation, unnecessary blockage of inventory and lack of specific working capital policy. While pinpointing to the sample Company, we can found that, investment in current assets is high with respect to its total assets and net fixed assets and it has been stated after analyzing various turnover ratios that current assets is not properly utilized in both Company. However, liquidity position of STCL shows satisfactory and favorable position by being successful in maintaining the standard but SALT being unable to meet standard or it is below the standard value remains unsuccessful to meet the current obligation, which specifies that liquidity position of the SALT is poor.

Similarly, after analyzing the various profitability ratios, it can be conclude that there is operating inefficiency in both sample Company and overall return position of the company is also not in favorable condition because of inefficient utilization of current assets, total assets and share holders wealth. The outcome of cash conversion cycle of sample Company are not in satisfied condition for long run because analysis shows that there is long PDP, short ICP and Short RCP in both sample Company, which is favorable only for short run and it will cause negative impact its trade creditors in upcoming days of the company.

Although trading Company are following aggressive financing policy, which comprises higher risk and higher return and low liquidity position are not in condition of following this policy. Being unsteady in financial situation, company will be unsuccessful to take high risk and if attempt has been made to take risk cause to getting negative return. It means that risk-return trade-off is not matched in Nepalese trading Company. Hence, from our overall financial analysis, it can be said that Nepalese Trading Company are not in tremendous condition. They are suffering from stickiness.

The Correlation Coefficient of the variables selected for the statistical analysis shows the SALT has insignificant relationship and negative correlation with each other except with current assets and current liabilities. Similarly, STCL has significant and positive correlation relationship with each other except with net profit and net working capital. As we know that positive correlation means both of the variables are moving towards the same directions, the findings suggest the SALT to do strong relationship between each variable. Above stated findings also helps to conclude that STCL is financially steady and good than STCL.

5.3 RECOMMENDATION

At the end of the research, the study without practicable suggestion would be incomplete phenomenon. Therefore, the following recommendations have been made on the basis of foregoing analysis for further improvement of the existing working capital management.

1. SALT and STCL both are following aggressive financing policy yet there is negative return as well as negative turnover on net working in some study periods. Which means that risk-return trade-off is not matched in these trading Company. So, company better have to follow the max-financing policy between moderate and aggressive policy to reduce the risk and earn some profits.
2. To run day-to-day business activities and earn maximum profit current assets should be properly maintained but it has been observed that there is no concrete current assets management and specific working capital policy in sample Company. So, there should introduce effective inventory control techniques to decrease huge blockage of inventory and credit policy techniques for collecting receivables.
3. Negative working capital represents the poor financial management of the company. Some study periods shows the similar case in both Company while analyzing the data. Therefore, to eradicate these situations, suitable working capital should be formulated and implemented. Keeping optimum size of investment in current assets and current liabilities and regular check of working capital could do it.

4. Management is backbone of the company and success and failure of the company depends upon the managerial skills. So, company should allocate some money for training of financial employees to produce skilled and experienced manpower.
5. STCL being a trading company need an efficient liquidity position to operate its business but it has lower value than standard. Therefore, it should maintain the standard value of both current ratio and quick ratio to get the optimum solvency position.
6. There is extremely high operating ratio in both Company, which indicates inefficiency and mismanagement of the company. So, both Company to maintain the position should reduce the operating expenses.
7. The operating cycle of STCL indicates that there is negative cash conversion cycle due to poor collection and payable policy. Longer cash conversion period and negative cash conversion period both are not good for the company. So, company should manage ICP, RCP and PDP by applying suitable credit policy.

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Salt Trading Corporation Limited

Consolidated Balance Sheet

Particular	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067
ASSETS											
Fixed Assets	15,327,627	15,238,198	22,889,508	29,087,074	31,862,795	35,653,617	38,142,835	41,165,661	39,891,905	42,080,416	42,017,890
Investments	82,067,272	102,941,572	117,211,572	120,693,072	120,693,072	125,474,772	131,474,772	142,179,053	143,442,509	143,367,509	123,151,278
Total Fixed Assets	97,394,899	118,179,770	140,101,080	149,780,146	149,780,146	160,733,389	169,617,607	183,344,714	183,334,414	185,447,925	165,169,168
Current Assets											
Loan to Sugar Mill (S.T)	-	-	43,9945,154	61,901,711	61,901,711	106,621,825	114,080,001	118,923,957	138,070,020	138,070,0201 39,638,054	136,070,020
Debtors	8,682,469	9,369,285	25,712,123	29,302,121	29,302,121	138,756,580	197,294,759	124,312,478	128,312,251	1,062,828	135,406,514
Letter of Credit	12,392,322	21,575,793	39,124,723	3,501,366	3,501,366	5,690,822	4,850,969	51,583	14,744,354	163,703,059	10,711,044
Advance	-	92,194,118	-	-	-	-	-	35,759,833	99,007,464	2,056,525	232,564,135
Deposits	-	-	-	-	-	-	-	1,601,508	1,786,928	96,400	2,069,619
Bank Guarantee	-	-	-	-	-	-	-	1,027,439	1,352,199	190,591,023	2,442,293
Others & Subsidiary co.	32,650,185	23,049,908	32,919,281	78,173,650	143,042,292	108,384,728	108,733,768	102,668,722	57,730,197	1,962,480	148,821,213
Prepaid Expenses	1,160,039	-	-	-	-	9,938,948	4,969,474	6,409,697	4,186,089	-	981,245
Staff Advance	5,265,165	7,023,310	5,733,268	7,544,969	10,316,713	4,012,051	-	-	-	165,406,883	-
Inventory (With Transit)	71,588,991	104,163,316	166,242,272	156,195,076	179,930,531	188,893,560	-	224,485,777	254926,467	35,027,847	289,980,900
Cash & Bank Balance	9,956,991	17,005,380	17,129,745	32,688,084	27,673.492	21,768,023	-	46,299,307	42,799,139	837,617,119	63,078,055
Total Current Assets	141,695,879	274,381,110	330,655,566	369,306,977	501.254.556	584,066,537	108,766,768	661,540,301	742,915,108	1,023,065,044	1,024,125,035
Total Assets	239,090,778	392,560,880	470,956,646	519,087,123	654,356,423	744,799,926	4,969,474	844,885,015	926,249,522	1,023,065,044	1,189,394,195
Liabilities							-				
Authorized Capital	100,000,000	100,000,000	100.000.000	100,000,000	100.000.000	100,000,000	100.000.000	100,000,000	100,000,000	100000000	100,000,000
Issued Capital	50,000.000	50000000	50000000	50000000	50000000	50,000.000	50000000	50000000	50000000	5000000	50,000,000
Paid Up Capital	16,514,800	16,514,800	16,514,800	16,514,800	16,514,800	16,514,800	24,777,700	24,777,700	24,777,700	24,777,700	24,777,700
Reserve & P/L A/C											
General Reserve	25,500,000	29,150,000	31,000,000	34,000,000	36,300,000	38,000,000	31,342,600	31,942,600	32,942,600	32,942,600	17,314,000
Capital Reserve	-	-	-	-	-	-	356,021	1,790,284	1,646,858	1,808,519	1,732,222
Dividend Equalization reserve	2,200,000	2,500,000	3,000,000	3,500,000	3,800,000	4,00,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000

Special Salt Reserve	-	-	-	-	-	-	-	-	-	-	40,497,000
Investigation Fund (Reserve)	500,000	600,000	700,000	800,000	-	-	-	-	-	-	-
Net Profit	389,614	654,231	389,511	443,384	328.447	913,294	623,565	499,125	743,781	432,423	-
Secured Loan (Long-Term)	34,070,405	95,600,924	200,428,205	281,872,454	306,929,144	355,902,415	522,952,678	532,643,926	623,086,653	691,815,868	791,043,000
Paid-Up Capital	16,514,800	16,514,800	16,514,800	16,514,800	16,514,800	16,514,800	24,777,700	24,777,700	24,777,700	24,777,700	24,777,86
Total Current Liabilities	159,915,955	218,924,130	218,924,130	181,956,485	290,484,032	329,469,417	274,171,270	249,031,380	238,851,930	267,087,934	309,729,453
Total Liabilities	239,090,778	470,956,646	470,956,646	519,087,123	654,356,423	744,799,926	858,423,834	844,865,015	926,249,522	1,023,065,044	1,189,295

Salt Trading Corporation Limited

Consolidated Trading & Profit &Loss A/C

Particular	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067
SALES REVENUE	879,168,887	933,145,877	1,292,429,039	1,526,779,746	1,558,432,808	1,557,361,465	1,957,396,526	1,968,903,326	1,738,452,487	1,842,372,311	1,580,455,250
Less Cost of Goods Sold	854,303,745	890,382,868	1,254,552,009	1,491,282,681	1,503,947,972	1,488,798,674	1,872,896,867	1,837,932,940	1,609,024,031	1,710,830,523	1,446,88,325
Gross Profit	24,865,142	42,763,009	37,877,030	35,497,065	54,484,836	68,562,791	84,499,659	130,970,386	129,428,456	131,541,788	133,574,921
Add: Misc. & Other Income											
Dividend from Investment	2,174,026	870,000	2,137,00	592,515	1,740,000	369,520	-	997,500	728,400	831,600	1,035200
Income From House Rent	-	-	-	-	-	-	-	561,244	616,164	327,560	682,272
Interest Income	247,426	244,604	520,096	201,747	183,226	244,981	-	166,047	55,257	7,277	1,937
Comm on Sale/ Purchase	-	-	5,858,530	14,001,970	12,320,244	13,714,804	-	-	-	-	-
Income form sale of Share	-	-	-	-	-	2,928,630	-	-	-	-	-
Profit on Sale of Assets	-	-	-	-	-	-	-	-	-	276,959	425,125
Provision for LY returned	-	-	-	10,184,073	-	-	-	-	-	-	-
Misc Income	2,740,689	2,743,473	4,267,688	4,843,958	13,572,587	3,924,788	12,970,661	4,570,795	6,513,212	3,562,296	2,669,70
Total Income	30,027,283	46,621,086	50,660,344	65,321,328	82,300,893	89,745,514	97,470,320	137265972	137,265,972	136,547,480	136,389,167
Less: Administrative Exp	18,923,679	23,071,207	25,980,214	32,192,292	38,437,958	41,848,958	48,263,056	48,247,187	50,027,884	53,718,464	51,402,442
Loss on sale of Assets	-	-	-	-	-	-	-	-	934,978	-	-
Interest	4,979,111	8,056,556	12,209,400	20,927,345	35,911,637	39,518,404	37,092,101	76,386,366	74,773,952	74,732,725	82,003,066
Share inv. Write off	-	-	-	-	-	-	-	-	-	-	20,216,235
Net operating Profit/Loss before Tax	6124493	15,493,324	12,470,730	12,201,691	7,951,298	8,378,152	12,115,163	12,632,419	11,604,675	8,096,291	(20,216,263)
Less: Staff Bonus	612449	1,549,332	1,247,073	1,220,169	795,130	837,815	1,211,516	1,283,242	1,160,467	809629	(15,232,58)
Less: Tax Provision	1335207	5,500,675	-3,452,930	3,636,152	1,800,876	1,484,765	3,451,156	3,751,828	2,611,052	2,003,832	15,628,542
Net Profit / Loss after tax	-4,176,837	-8,443,317	7,770,727	7,345370	-5,355,292	6,055,572	-7,452,491	7,617,349	7,833,156	-5,282,830	432,455
Add: Transferred from general Reserve	--	-	-	-	-	-	-	-	-	-	823,345
Add: Net Profit from Previous Year	979,765	389,614	654,231	389,511	443,384	328,447	913,294	623,535	499,125	743,781	
Net Profit Available for allocation	5,156,602	8,832,931	8,424,958	7,734,881	5,798,676	6,384,019	8,365,785	8,240,914	8,332,281	6,026,611	

Salt Trading Corporation Limited

Cost of Goods Sold

Particular	**2057**	**2058**	**2059**	**2060**	**2061**	**2062**	**2063**	**2064**	**2065**	**2066**	**2067**
Opening SSaltk	96,927,170	71,588,991	104,153,316	166,242,272	146,516,229	179,930,531	188,893,560	222,642,737	224,845,777	254,926,457	165,408
Add. Purchase	774,554,267	837,455,303	1,250,205,704	1,395,396,411	1,405,925,738	1,361,653,332	1,739,437,406	1,641,353,392	1,440,691,174	1,444,774,436	1,379,321
Total SSaltk	871,481,437	909,044,294	1,354,369,020	1,561,638,687	1,552,441,967	1,541,583,863	1,928,330,966	1,863,996,129	1,665,176,951	1,699,700,903	1,544,730
Add. Business Expenses	54,411,437	85,501,890	66,425,261	76,160,227	131,436,536	136,108,371	167,206,638	198,422,588	198,773,547	176,538,503	192,130
Total	925,892,736	994,546,184	1,420,794,281	1,637798,981	1,683,878,503	1,677,692,234	2,095,539,604	2,062,418,717	1,863,950,498	1,876,239,406	1,736,861
Less: Closing SSaltk	71,588,991	104,163,316	166,242,272	145,516,229	179,930,531	188,893,560	222,642,737	224,485,777	254,926,467	165,408,883	289,980
Total Cost of Goods Sold	854,303,745	890,832,868	1,254,552,009	1,491,282,681	1,503,947,972	1,488,798,674	1,872,896,867	1,637932,940	1,609,024,031	1,710,830,523	1,445,880

Percentage of Current Assets of Total Assets

Salt Trading Corporation Limited		
Ratio	$(Y-\overset{z}{Y})(y)$	$(Y-\overset{z}{Y})^2 (y)^2$
59.26	-16.40	268.96
69.9	-5.76	33.18
70.25	-5.41	29.27
71.15	-4.51	20.34
76.6	0.94	0.88
78.42	2.76	7.62
80.24	4.58	20.98
78.3	2.64	6.97
80.21	4.55	20.70
81.87	6.21	38.56
86.11	10.45	109.20
75.66		556.66

$$\pm_x X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

$= 7.1138$

$= 9.4023\ \%$

Percentage of Current Assets on Fixed Assets

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
145.49	-199.51	39804.24
232.17	-112.83	12730.61
236.15	-108.85	11848.32
246.57	-98.43	9688.46
327.4	-17.60	309.76
363.38	18.38	337.82
406.09	61.09	3731.99
360.82	15.82	250.27
405.22	60.22	3626.45
451.67	106.67	11378.49
620.05	275.05	75652.50
345.00		16935.92

$$\pm_x X\sqrt{\frac{(Y\ ZY)^2}{N}}$$

= 124.0817

= 35.9656 %

Percentage of Cash and Bank balance to Current Assets

Salt Trading Corporation Limited		
Ratio	$(Y-\overset{z}{Y})$ (y)	$(Y-\overset{z}{Y})^2$ $(y)^2$
7.03	1.13	1.29
6.20	0.30	0.09
5.18	-0.72	0.51
8.85	2.95	8.72
5.52	-0.38	0.14
3.72	-2.18	4.74
5.26	-0.64	0.40
7.00	1.10	1.22
5.76	-0.14	0.02
4.18	-1.72	2.95
6.16	0.26	0.07
5.8964		20.15

$$\pm_x X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

= 1.3534

= 22.9530%

Percentage of Cash and Bank Balance to Total Assets

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
4.16	-0.26	0.07
4.33	-0.09	0.01
3.64	-0.78	0.61
6.3	1.88	3.53
4.23	-0.19	0.04
2.92	-1.50	2.25
4.22	-0.20	0.04
5.48	1.06	1.12
4.62	0.20	0.06
3.42	-1.00	1.00
5.3	0.88	0.77
4.42		9.48

$$\pm_x \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^2}{N}}$$

= 0.9285

= 21.0068%

Percentage of Inventory to Current Assets and Total Assets

Salt Trading Corporation Limited						
Year	Ratio	X	X^2	Ratio	y	$(y)^2$
2057	59.46	23.90	571.30	35.24	9.01	81.16
2058	32.03	-3.53	12.45	22.39	-3.84	14.75
2059	49.93	14.37	206.55	35.08	8.85	78.31
2060	42.34	6.78	45.99	30.13	3.90	15.20
2061	32.56	-3.00	8.99	24.94	-1.29	1.67
2062	31.57	-3.99	15.91	24.76	-1.47	2.16
2063	29.87	-5.69	32.36	23.97	-2.26	5.11
2064	33.79	-1.77	3.13	26.46	0.23	0.05
2065	32.27	-3.29	10.81	25.88	-0.35	0.12
2066	25.09	-10.47	109.58	20.54	-5.69	32.39
2067	22.23	-13.33	177.64	19.15	-7.08	50.14
	35.5582		1194.70	26.2309		281.07

$$\pm_x \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^2}{N}}$$

= 5.0549

= 19.2708%

Percentage of Inventory to Current Assets and Total Assets

Salt Trading Corporation Limited						
Year	Ratio	X	X^2	Ratio	y	$(y)^2$
2057	29.17	-1.30	1.69	17.29	-6.08	36.91
2058	11.82	-18.65	347.82	8.26	-15.11	228.17
2059	17.72	-12.75	162.56	12.45	-10.92	119.15
2060	29.10	-1.37	1.88	20.70	-2.67	7.10
2061	34.40	3.39	15.44	26.35	2.98	8.91
2062	42.31	11.84	140.19	33.18	9.81	96.33
2063	44.13	13.66	186.60	35.65	12.28	150.91
2064	34.13	3.84	14.7529.48	26.87	3.50	12.28
2065	25.04	-5.43	29.48	20.09	-3.28	10.73
2066	39.42	8.95	80.10	32.28	8.91	79.47
2067	27.75	-2.72	7.40	23.90	0.53	0.29
	30.4700		987.91	23.3655		750.25

$$\pm_x \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{Z}}{Y})^2}{N}}$$

= 38.2586

= 35.3453%

Analysis of Inventory Turnover Ratio

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
10.4342	1.38	1.89
10.6189	1.56	2.43
9.5592	0.50	0.25
9.7633	0.70	0.50
9.5479	0.49	0.24
8.445	-0.61	0.38
9.5126	0.45	0.21
8.8069	-0.25	0.06
7.2524	-1.81	3.26
8.7662	-0.29	0.09
6.9411	-212	4.48
9.0589		13.79

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{Z}}{Y})^{2}}{N}}$$

=1.1197

=12.36%

Analysis of Debtors Turnover Ratio and ACP

Salt Trading Corporation Limited						
Year	Ratio	X	X^2	Ratio	y	$(y)^2$
2057	21.27	8.80	77.44	16.93	-22.49	505.88
2058	28.78	16.31	266.02	12.51	-26.91	724.25
2059	22.04	9.57	91.58	16.33	-23.09	533.23
2060	14.21	1.74	3.03	25.33	-14.09	198.58
2061	9.04	-3.43	11.76	39.82	0.40	0.16
2062	6.3	-6.17	38.07	57.14	17.72	313.93
2063	6.4	-6.07	36.84	56.25	16.83	283.19
2064	8.67	-3.80	14.44	41.52	2.10	4.40
2065	9.34	-3.13	9.80	38.54	-0.88	0.78
2066	5.58	-6.89	47.47	64.52	25.10	629.92
2067	5.56	-6.91	47.75	64.75	25.33	641.52
	12.47		644.20	39.4218		3835.38

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^2}{N}}$$

=18.67

=47.37%

Current Assets Turnover

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
6.2046	2.99	8.96
3.4009	0.19	0.04
3.9063	0.70	0.48
4.1342	0.92	0.85
3.1091	-0.10	0.01
2.6664	-0.54	0.30
2.8417	-0.37	0.14
2.9762	-0.23	0.06
2.34	-0.87	0.76
2.1995	-1.01	1.02
1.5432	-1.67	2.78
3.2111		15.40

$$\pm_{y} X\sqrt{\frac{(Y\ \overset{z}{Z}Y)^2}{N}}$$

=1.1830

=36.8410%

Cash Turnover Ratio

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
88.3	33.03	1090.68
54.87	-0.40	0.16
75.45	20.18	407.05
46.71	-8.56	73.35
56.32	1.05	1.09
71.54	16.27	264.57
54.02	-1.25	1.57
42.53	-12.74	162.42
40.62	-14.65	214.76
52.6	-2.67	7.15
25.06	-30.21	912.92
55.2745		3135.73

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^{2}}{N}}$$

=16.8839

=30.5455%

Analysis of Net Working Capital Turnover

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
-48.2528	-51.99	2702.92
34.7667	31.30	962.85
11.5466	7.81	60.99
8.1493	4.41	19.47
7.394	3.66	13.37
6.117	2.38	5.67
4.7208	0.98	0.97
7.773	4.04	16.29
3.4489	-0.29	0.08
3.2292	-0.51	0.26
2.2123	-1.52	2.32
3.7368		3785.20

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^{2}}{N}}$$

=18.5502

=496.4194%

Analysis of Current Ratio

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
0.8861	-1.27	1.62
1.1084	-1.05	1.11
1.5113	-0.65	0.42
2.0296	-0.13	0.02
1.7256	-0.43	0.19
1.7727	-0.39	0.15
2.5123	0.35	0.12
2.6565	0.50	0.25
3.1104	0.95	0.90
3.1361	0.98	0.95
3.3065	1.15	1.32
2.1		7.05

$$\pm_{y} X\sqrt{\frac{(Y\ \overset{z}{Z}Y)^2}{N}}$$

=0.8004

-37.06%

Quick Ratio

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
0.4311	-0.99	0.98
0.6876	-0.73	0.54
0.7519	-0.67	0.45
1.1712	-0.25	0.06
1.1062	-0.31	0.10
1.1693	-0.25	0.06
1.6821	0.26	0.07
1.7293	0.31	0.10
2.0255	0.60	0.37
2.5095	1.09	1.18
2.3671	0.95	0.09
1.4210		4.80

$$\pm_{y} X\sqrt{\frac{(Y\ \overline{ZY})^2}{N}}$$

=0.6605

46.48%

Gross Profit Margin Ratio

Salt Trading Corporation Limited		
Ratio	y	$(y)^2$
0.0283	-0.02	0.0005
0.0458	0.00	0.0000
0.293	-0.02	0.0004
0.0232	-0.03	0.0007
0.0350	-0.01	0.0002
0.0440	-0.01	0.0000
0.432	-0.01	0.0000
0.0665	0.02	0.0003
0.0745	0.02	0.0006
0.0714	0.02	0.0005
0.0845	0.03	0.0012
0.0496		0.0045

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^{2}}{N}}$$

=0.02

=40.32%

Net Profit Margin Ratio

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
0.4751	0.14	0.02
0.9048	0.57	0.32
0.6012	0.26	0.07
0.4811	0.14	0.02
0.3436	0.00	0.00
0.3888	0.05	0.00
0.3807	0.04	0.00
0.3869	0.05	0.00
0.4506	0.11	0.01
0.2867	-0.05	0.00
-0.9638	-1.30	1.69
0.3396		2.1429

$$\pm_{y} X\sqrt{\frac{(Y\ \overset{z}{Z}Y)^2}{N}}$$

=0.4410

=129.86%

❖ **Operating Ratio**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
99.8905	-0.34	0.12
98.7531	-1.48	2.18
100.0242	-0.24	0.04
101.1542	0.92	0.85
101.2747	1.04	1.09
100.8222	0.59	0.35
100.0437	-0.19	0.03
99.6768	-0.55	0.31
99.7876	-0.44	0.20
99.8322	-0.40	0.16
101.2684	1.04	1.08
100.2298		6.4081

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=0.7632

=0.76%

Return on Total Assets

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
1.75	0.80	0.64
2.15	1.20	1.44
1.65	0.70	0.49
1.42	0.47	0.22
0.82	-0.13	0.02
0.81	-0.14	0.02
0.87	-0.08	0.01
0.90	-0.05	0.00
0.85	-0.10	0.01
0.52	-0.43	0.18
-1.28	-2.23	4.97
0.9509		8.0041

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=0.8530

=89.71%

❖ **Return on Net Worth**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
9.26	.01	0.00
17.09	7.84	61.47
15.06	5.81	33.76
13.29	4.04	16.32
9.40	0.15	0.02
10.19	0.94	0.88
12.16	2.91	8.47
12.05	2.80	7.84
12.18	2.93	8.56
8.23	-1.02	1.04
-17.21	-26.46	701.72
9.2455		840.1030

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=8.7392

=94.52%

❖ **Return on Current Assets**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
2.95	1.60	2.56
3.08	1.73	2.99
2.35	1.00	1.00
1.99	0.64	0.41
1.07	-0.28	0.08
1.04	-0.31	0.10
1.08	-0.27	0.07
1.15	-0.20	0.04
1.05	-0.30	0.09
0.63	-0.72	0.52
-1.49	-2.84	8.07
1.3545		15.9239

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=1.2032

=88.8249%

❖ **Inventroy Conversion Period**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
29	-14	196
40	-3	9
46	3	9
37	-6	36
42	-1	1
44	2	1
41	-2	4
41	-2	4
53	10	100
32	-11	121
66	23	529
43		1010

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=9.58

=22.28%

❖ **Receivable Conversion Period**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
4	-15	225
4	-15	225
7	-12	144
7	-12	144
7	-12	144
32	13	169
36	17	289
23	4	16
27	8	64
27	8	64
31	12	144
19		1628

$$\pm_{y} X\sqrt{\frac{(Y\ Z\overset{z}{Y})^2}{N}}$$

=12.16

=64%

❖ **Payable Conversion Period**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
67	1	1
102	36	1296
61	-5	25
45	-21	441
72	6	36
84	18	324
55	-11	121
46	-20	400
62	-4	16
73	7	49
64	-2	4
66		2713

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^{2}}{N}}$$

=15.70

=23.79%

❖ **Cash Conversion Cycle**

Salt Trading Corporation Limited		
Ratio	Y	$(y)^2$
-34	-29	841
-58	-53	2809
-8	-3	9
-1	4	16
-23	-18	324
-8	-3	9
22	27	729
18	23	529
18	23	529
-14	-9	81
33	38	1444
-5		7320

$$\pm_{y} \mathrm{X}\sqrt{\frac{(Y\ \mathrm{Z}\overset{\mathrm{z}}{Y})^{2}}{N}}$$

=25.80

=-516%

❖ **Relationship Between Net Profit & Networking Capital**

Salt Trading Corporation Limited							
Year	NPAT	Net W/C	$(x \, Z^{z} x)(x)$	$X \, Z X^{z\ 2} fX Å$	$Y \, Z Y^{z} \quad fY Å$	$Y \, Z Y^{z\ 2} fY Å$	**xy**
2057	0.42	-1.82	-0.05	0.00	-32.63	1064.72	1.63
2058	0.84	2.68	0.37	0.14	-28.13	791.30	-10.41
2059	0.78	11.19	0.31	0.10	-19.62	384.94	-6.08
2060	0.73	18.74	0.26	0.07	-12.07	145.68	-3.14
2061	0.54	21.08	0.07	0.00	-9.73	94.67	-0.68
2062	0.61	25.46	0.14	0.02	-5.35	28.62	-0.75
2063	0.75	41.46	0.28	0.08	10.65	113.42	2.98
2064	0.76	41.25	0.29	0.08	10.44	108.99	3.03
2065	0.78	50.41	0.31	0.10	19.60	384.16	6.08
2066	0.53	57.06	0.06	0.00	26.25	689.06	1.58
2067	-1.52	71.44	-1.99	3.96	40.63	1650.80	-80.85
	0.47	30.81		4.55		5456.37	-86.62

$$\pm_{y} X \sqrt{\frac{(Y \, Z^{z} Y)^{2}}{N}}$$

=22.27

$$=- \frac{Z86.62}{\sqrt{4.55x545637}} \%$$

❖ **Relationship Between Current Assets and Current Liabilites**

Salt Trading Corporation Limited							
Year	Current Assets	Current Liabilities	$(x - \bar{x})(x)$	$X - \bar{X}^2$	$Y - \bar{Y}$	$Y - \bar{Y}^2$	**xy**
2057	14.17	15.99	-41.80	1747.24	-11.89	141.37	4987.00
2058	27.44	24.75	-28.53	813.96	-3.13	9.80	89.30
2059	33.09	51.89	-22.88	523.49	24.01	576.48	-549.35
2060	36.93	18.20	-19.04	362.52	-9.68	93.70	184.31
2061	50.13	29.05	-5.84	34.11	1.17	1.37	-6.83
2062	58.41	32.95	2.44	5.95	5.07	25.70	12.37
2063	68.88	27.42	12.91	166.67	-0.46	0.21	-5.94
2064	66.15	24.90	10.18	103.63	-2.98	8.88	-30.34
2065	74.29	23.89	18.32	335.62	-3.99	15.92	-73.10
2066	83.76	26.71	27.79	772.28	-1.17	1.37	-32.51
2067	102.41	30.97	46.44	2156.67	3.09	9.55	143.50
	55.97	27.88		7022.15		884.35	228.41

$$\pm_{y} X \sqrt{\frac{(Y - \bar{Y})^2}{N}}$$

$= 8.97$

$$= - \frac{228.41}{\sqrt{702216 \mid 884.35}} \%$$

$= +0.0917$

❖ **Relationship Between Current Assets and Sales**

Salt Trading Corporation Limited							
Year	Current Assets	Current Liabilities	$(x - \bar{x})(x)$	$(X - \bar{X})^2\ (x^2)$	$Y - \bar{Y}\ (y)$	$(Y - \bar{Y})^2\ (y^2)$	xy
2057	14.17	87.92	-41.80	1747.24	-65.12	4240.61	2722.02
2058	27.44	93.21	-28.53	813.96	-59.83	3579.63	1706.95
2059	33.09	129.24	-22.88	523.49	-23.80	566.40	544.54
2060	36.93	152.68	-19.04	362.52	-0.36	0.13	6.85
2061	50.13	155.84	-5.84	34.11	2.80	7.84	-16.35
2062	58.41	155.74	2.44	5.95	2.70	7.29	6.59
2063	68.88	195.74	12.91	166.67	42.70	1823.29	551.26
2064	66.15	196.89	10.18	103.63	43.85	1922.82	446.39
2065	74.29	173.85	18.32	335.62	20.81	433.06	381.24
2066	83.76	184.24	27.79	772.28	31.20	973.44	867.05
2067	102.41	158.05	46.44	2156.67	5.01	25.10	232.66
	55.97	153.04		7022.15		13579.65	7449.20

$$\sigma_y = \sqrt{\frac{(Y - \bar{Y})^2}{N}}$$

= 35.14

$$= \frac{7449.20}{\sqrt{702216 \times 13579.65}} \%$$

= +0.76287