

CHAPTER I

INTRODUCTION

1.1 Background

Nepal is an underdevelopment country and a landlocked country but very beautiful. It is situated in between two countries. So it is a yam between two big stones. It is a Himalayan kingdom and having different feature as buffer state in the south Asia. It is very greenery. So it is called the Switzerland of the south Asia. On the baric of total area levered, it is 22 times smaller than India and 65 times smaller than china. It lies in the 26⁰22 north to 30⁰27 north longitudes and 80⁰ 04 east to 88⁰12 east latitudes. It has covered 0.03% in the world and 0.3% in Asia continent. There are low numbers of educated people and dependent upon agriculture from this we conclude that only 10% people are engaged in the industrial sector. So sufficient industry are not established in our country as being as under developed.

Being richest mountainous and agricultural country, Nepal has faced a lot problem in its economic development. Not a single factor is responsible for the retardation in her path of economic development. Many tremendous causes such as lack of sources of finance, transportation, education, socio rules and regulation and geographical land by nature etc, handicap the country and lead towards the low productivity and less effectively result in performance operation and rolling down towards the least developed country in the world. Prospects for overall economic development will be brighter only if the present structure of the economy with predominated dependence on traditional agricultural can be gradually transferred through the process of induct realization.

The overall development of any country depends upon sound and rapid progress of the industrial, trade and commercial sectors. For the smooth operation of the private and public organization needs good working capital management. To develop the agricultural country the industries are established mainly for earning profit through providing product and service for the sound operation of business sectors.

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

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

- Lack of sufficient capital.
- Unequal distribution of national income.
- Landlocked country.
- Developing country.
- Mixed economy.
- Higher population growth
- Depended on foreign aid.
- Lack of infrastructure.
- Lack of skilled man power.
- Political instability.

Finance holds key role in all human activities. Every financing decision is done by observing the income and expenditures of each investment decision. So it shows the way to make rational decision. It is the science and art both. It analyses the investment decision process by process as science and apply its rules as an artists. However, finance strategy is the life blood of every enterprise such as manufacturing organization. It is one of the components of finance management. It is a here centre of the business concern. It is essential to accommodate the smooth running of the concern. No business can operate successfully and effectively without the effective and efficient management of the working capital. Adequate working capital will be helpful to keep the solvency position, goodwill, credit worthiness as well as building capability to face to pay the finance bottleneck. It is true that well from needed to face wages pay for the raw materials, pay bills and so on. The money available to them to do this is known as firms' working capital. It is better to specify the working capital by different pioneers and authorities of finance as regards working capital.

‘Working capital is a firm's investment in short term assets’ (*Weston & Brigham: 1996: 332*)

‘Working capital management in the management of current assets and the current liabilities of the firm’ (*Thapa & Niraula: 2062: 101*)

‘Capital that is needed and used in running a business and not invested in its building and equipment’ (*Oxford: 1997:1377*)

‘The term working capital capital some times called gross working capital, generally refers current assets’ (*Jain & Khan: 1998*)

The term current assets refers to those assets which can be made within a year (Fiscal year). Such as cash, short term securities, debtors, bills receivables, accounts receivables, inventories etc. the term current liabilities which should be paid within a year such as Account payables,

creditors, bills payables, bank overdraft, out standing expenses etc. However, the effective management of current assets and liabilities may maintain liquidity in the firm not keeping high each in.

1.2. An Introduction of J.Bs. Industry.

Our study focuses on working capital management of private firm with clerical reference to J.Bs. Industry private limited. In this regard, J.Bs. industry is established in 2047 B.S. It is located in Itahari municipality of Sunsari District. It manufactures fruits and Vegetable products like fruit squash, jam, tomato, ketchup, fruit juice, chili sauce, pickle etc. the brand name of the product is 'Sagarmatha' The founder of this industry is Mr. Jeet sing Bista. His previous days were spent on different fruit industries of India and Nepal. Later in 2047 he established it with his strong determination and skill. Being the technologist of the same field, he should not face the technical difficult on the production process.

The industry is established under domestic and small industry act. At the starting time only family members ran this organization. Gradually it could up. Now there are is staff and 30 workers but in season 50 to 60 seasonal workers required on Mansir to Falgun for processing of raw material and Ashad to Bhadra for other raw material processing.

This organization is in single proprietorship. It has taken financial support from Nabil Bank. The head office of it is in Itahari. The market of this product is all over the country through the dealership and sub dealership. So it is assured as a national product.

The organization has social importance also as it could give employment to orphan and poor villagers. Almost all workers were poor helpless before entering in this firm. After getting the employment in this industry, there economic status and life style have been improved.

The industry is based in agriculture. The main raw material orange, lemon, tomato, lime, junar etc are purchased from different parts of the country. The packing materials like carton box, partition, gum tape, glass bottles, cans etc are purchased from local market and which are not available in local market, are purchased from India and China.

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

After implementation of cleaner production programme, the wastage generated from processing has been reduced. The productivity has increased. The some options are implemented. House keeping is also practices is also improving.

The scope of this industry is bright. The products are nutritious and delicious. However, they are perishable so special attention and care should be given during manufacturing and processing time. Hygienic environment is most essential on production unit.

Some years ago, the organization had gained national award from the ministry of agriculture and cooperative, department of agriculture, on the occasion of 26th world food festival held at 2063 Ashoj 30. From this award the intention and motivation of all staffs and management has improved and are encouraged and committed for further improvement.

To turn the daily production activities of the industry, besides the manpower machinery etc, one of the major components is working capital without which other fixed things can't be used. So, this study is

conducted how the working capital is being managed in J.Bs. private limited. Is it able to maintain liquidity or not?

Effective and efficient management of finance plays a key role for the success of each and every organization. So, working capital plays a significant role in every respect and more. So intruding concerns structure of working capital and its function depend upon working capital.

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

1. Inadequate supply of raw materials, power and fuel.
2. Low availability of market.
3. Lack of motivation of the other workers and other staffs.
4. Lack of the knowledge of managing the working capital.
5. The method of cut-throat

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

1.3. Focus of study

In any manufacturing private firm the role of working capital is more important than service oriented type business firm. Therefore, the study of working capital management in private is very important mainly for these four reasons. Firstly, private business firm must determine the adequacy of investment in current assets, otherwise it would seriously erode their liquidity base. Secondly, they must select the types of current assets suitable for investments. So, as to raise their operational efficiency. Thirdly, they are required to ascertain to turnover the current assets that greatly determine the profitability of the private firm and lastly, they must find out the appropriate sources of funds to finance

current assets. Otherwise it would seriously erode their liquidity base. Secondly, they must be select the types of current assets suitable for investments. So, as to raise their operational efficiency. Thirdly, they are required to as certain to turnover the current arrets that greatly determine the probitability of the private firm and lastly, they most find out the appropriate sources of fund to finance current assets.

The term net working capital can be defined in two ways: (1) The most cornonon defifition of net working capital is the different between current assets asnd current liabilities, (2) the alternative definition net working capital is that portion of firm current assets, which is financed with long term fund. It is qualitative concept indicating the soundness of current financial possition. It is more important to the investor and lenders.

The net working capital, being the difference between current assets and current liabilities indicater the liquidity position and suggest the extent to which working capital needs many be financed by the permanent sources of fund. Business enterprise must possess sufficient current assets to pay current liabilities and maturing obligation which in the operating cycle because cash outflows and inflows do not coincide.

In other words, it is the non-synchronnous nature of cash flows that make net working capital necessary. While inadequate investment in working capital threatens solvency of firm and excessive investment affects enterprises profitability, as idle investment yield noting. Therefor the lack of the basic knowladge of working capital management has often brought a lot of liquidity crises, which sould have been avoided in the presence of knowledge among the private enterprises manager.

So, the working capital management plays the vital rele. Answer tha following question is reating to effciience of working capital.

1. What is the working capital position?

2. Is the working capital being efficiency utilization?
3. Is the working capital position improving or becoming worse day by day?
4. Is the amount of working capital sufficient or inadequate keeping in view the day to day operation of the firms?
5. How well is the company using the funds?

The study focuses to get satisfactory answer to these questions, the study conducted relating to the working capital management of J.Bs. industry Pvt. Ltd. The study also clear about the relationship. And other factors which are related to the efficiency of working capital management of J.Bs. Pvt. Ltd. By analyzing the five years data from 2063 to 2067 B.S. to find out the position of working capital, financial data are analyzed. Therefore, this study deals with efficiency of management of the company in the matter of working capital management and financial performance as well.

1.4. Relevancy of the study:

Within the time period, different fruit industry has been established in our country. It plays key role to develop the economic condition of the country. For the rapid development of such firms, the effective study of working capital management should be needed. So, it is the main things and never centre of the firm. In this context, J.Bs. industry is chosen and analyzed to highlight the importance of the working capital. Thus, the relevancy or need of the analysis of this industry trends in various aspects and suggestion on the promotional measures of working capital management. To find out the sound working capital position of industry will provides ideas upon optimal working capital position. So, working capital is chosen due it is the blood of each and every manufacturing organization.

1.5. Statement of problems:

Every organization is established with its effort to achieve the goal of maximizing profit and others. So no one can assumed that we can get problem less organization. So, J.Bs. industries have also some problems. With the passing of time, the products of this industries are going to be popular all over the Nepal. The products of this industries covered the area of Nepal because J.Bs. industries tries is one of the most prominent industries from the production of fruits items and vegetables suss items. Now a days this industries has occupied an important place in the modern busuness of Nepal. Some of the problems seen in the field of study are illustrated as under.

1. The credit sales volume has increasing but not earue satisfactory profit.
2. The net profit has not increare in the ration of sales.
3. The invevtory turnover ratio has been increared highly.
4. Sundry debtors shows the loose credit collection policy.
5. Increasing position on inventory investment.
6. Financial performance is not satisfactory as expected.

1.6. Importance of study:

Day to day smooth operation of organization in the short run as well as long run. Sound financial performance is prerequisite factors, so working cartial is very essentials elements. For the organization.

Without proper handle of working capital firm can not be able to earn profit as well as unable to provide service.

The study is usebul for:-

1. Making dicision of J.Bs. industries for making suitable degine about working capital.
2. Further researcher and the business enterprises of same kind as well.
3. Prospectives investors.

1.7. Objectives of the study

The main objectives of study are point out as follows:-

1. To know the management of working capital and maintain stability of the firm.
2. To know the structure of working capital assets.
3. To show how working capital determines the strengths and weakness of the firm.
4. To know the relationship of current assets on sales and profit.
5. To know the financing of current assets.
6. To judge short term and long term liquidity position of the firm.
7. To identify the various working capital aspects of J.Bs. industry private limited.
8. To provide reformative suggestion for the future improvement to the industry using different method
9. To establish the relationship between sales and different variables of working capital.
10. To examine the effect of working capital on profitability.
11. To evaluate the size, growth, structure, liquidity, adequacy, efficiency and productivity of working capital position of J.Bs. pvt. Limited on the baris of ratio.
12. To provide better suggestion from improving working cpital management in future.

1.8. Research methodology :

A. Populatio of sample size:-

The sampling will be used for the study. The anaalysis will be based upon samping. Difference sampling techniques will be used.

B. Research Design:-

Research design refers to the conceptual structure in which research is conducted. The working capital management condition of J.B.s fruit product will be investigated studying directly.

C. Research method :-

Direct supervision, question and others will be used for the true, exploratory and analytical study .

D. sources of data and collection strategy :-

Various tools are used to collection data J.Bs. fruit dustry is the primary sources of data other newspaper, journals etc. are used to find the solution the above mentionde problem.

E. method of data Analysis :-

Different methods of analyses the data are under to analysis working capital of J.Bs. industry.

1. Financial methods :

- Ratio analysis.
- Credit management analysis.
- Cash management analysis.
- Balance sheet.

2. Statistical analysis :

- Average (mean)
- Graphical study (bar graph)
- Correlation analysis
- Problem eror

1.9 Assumption and limitation of the study :

As every research has its own assumption and limitation. Therefor main assumption & limitation can be written as under :-

- a) Only the data analyzed for 5 years which data are taken as sample from univers.

- b) The study is limited to working capital of J.Bs. Industries.
- c) The data which analyzed in the study are secondary because these are collected from the head office of this firm
- d) Working days of the industry is assumed 360 days per years.
- e) The time in hand is also short.
- f) The data provided by the firm are correct and assumed correct and true.
- g) The inflationary effect is not included at the time of study.

1.10 Organization of the study:

The study of working capital management of J.Bs industries has been divided into five major chapters.

Chapter 1: introduction

In this chapter introduction of the study, background of the study, statement of the general problems, relevancy of the study, objectives of the study, assumption & limitation of the study.

Chapter2: review of literature

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

Chapter3: research methodology & design used

In this chapter the method used in the study will be presented. Various tools techniques are defined related to the subject matters of the study. Such as, research design, research method, sources of data and collection strategy tools to be used and methods of analysis are included.

Chapter 4: presentation and analysis of data

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

Chapter5: summary, conclusion and recommendation

This chapter mainly includes the summary of this study, major finding, conclusion and lastly recommendation are given on the basis of the study.

CHAPTER -II

REVIEW OF LITERATURE

2.1 INTRODUCTION OF CONCEPTUAL REVIEW.

Review of literature means receiving research studies or other relevant proposition in the related areas of the study. In this chapter the focus has been made the review of literature relevant to the investment portfolio of the joint venture banks. It mainly covers two parts. The first section of this chapter includes the theoretical framework whereas the second part is confined to review of these studies which are done by previous researchers.

The following sources are used for the study

Journals

Annual reports

Research works

Books

Articles

In this chapter the literature related to financial management and working capital management are presented. So, this chapter deals the theory of working capital needs and objectives of working capital, principles of working capital, classification of financial management.

2.1.1. FINANCIAL MANAGEMENT

Financial management is defined as the process of acquiring and using funds, it has to do with getting hands on money and deciding how best to spend, save or invest it.

Some important firm level financial management activities include identifying a business strength and weakness, evaluating investment opportunities, forecasting future funding needs and managing the implementation of the investment. All of these financial management

activities require that the managers of the project project the future position of the firm under different scenarios and determine the (likelihood) of accomplishing stated goals. Financial management decision regarding the acquisition of funds must consider whether to acquire funds through one's financial resources, the resources of other investors, or by borrowing. Decision will also make about whether to obtain long-term, short-term or some combinations of long and short-term funds.

In the process of allocating funds, financial management, financial managers must understand and interact directly with decision makers in financial matters and participate in the business that they represent. This interaction could be limited such as obtaining a saving or checking account at a local bank. On the other hand, it could involve more sophisticated interaction such as raising funds issued in one's firm in the form of share stock.

Financial management also requires interaction between various parts such as inventory policy or both a financial and management decision and requires input from the production and sales department as well as the firm's financial managers.

It is the centre of each business firm. Management can not make sound decision in a vacuum, they need a best decision on relevant concepts and realistic framework. In this regard, to make the sound result, it should be based for decision upon the realistic framework. "financial management of a firm which is also called business finance or management finance. Financial management deals with the acquisition, financing and management of assets for the purpose of achieving certain goal." (*Joshi : 2004:3*)

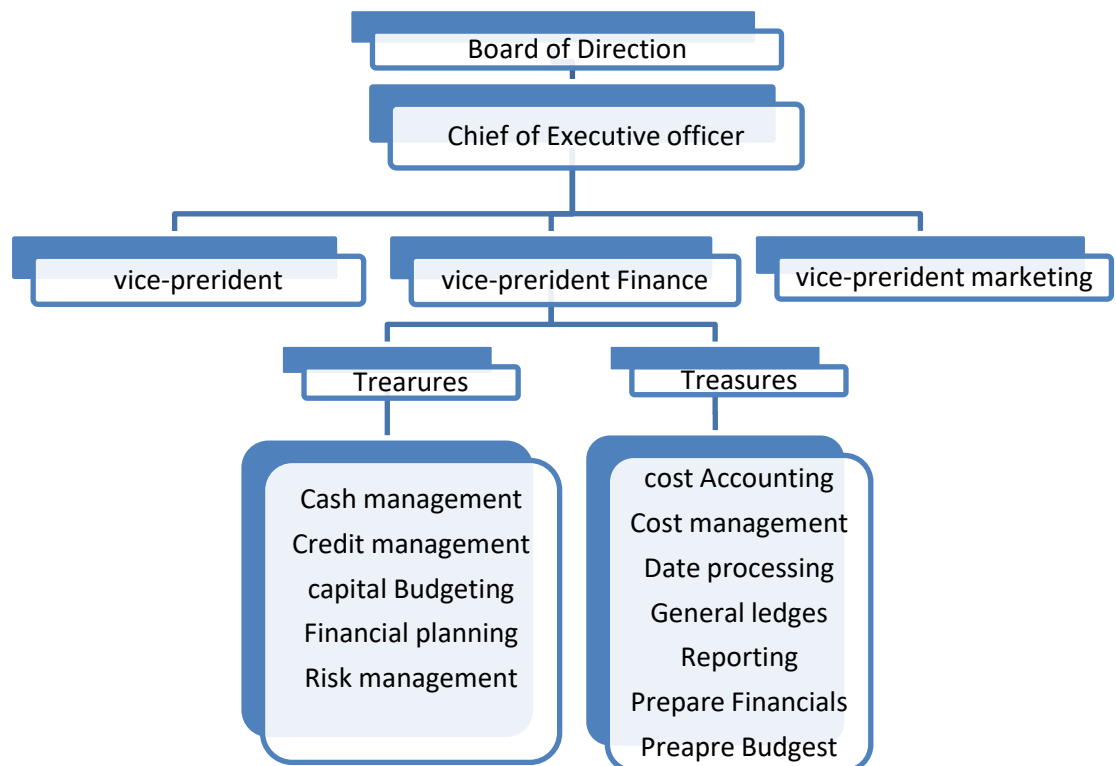
Financial management comprises two words : "finance" and "management" finance can be defined as the procurement of funds for the business and its efficient utilization in the productive field. Management

rebers to the planning, organising, cordinating, directing and controlling in order to achive the goal of the firm therefore, financial management is the activity concerned with the planning, raining, controlling and administriting of funds ured in business. *(Thapa & Niraula : 2062:2)*

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

Financial Management in the organization structure

Figure 1



2.1.2 IMPORTANCE OF FINANCE

Financial management is important for efficient and effective management and the smooth operation of the each firm. So,it is

composed as the life blood. Without it, firm becomes the dead body. To operate could only be achieved by the efficient management of finance. Other importance of the financial management are as under :-

- I. For making decision regarding the investment in long term assets such as building, furniture, machineries.
- II. For making dividends decision for the shareholders.
- III. For making decision on the mix of long-term sources such as debt, preferred stock and common stock.
- IV. For making dividends upon working capital management.
- V. For achieving the goals of wealth maximisation and welfare of the shareholders

2.1.3 WORKING CAPITAL MANAGEMENT

Generally, working capital management is the management current assets and current liabilities, working capital is the support to the present for the present for the future success of each and every firm. So it, is regarded as the blood of the firms.

On the other hand, we divide the managerial decision on the basis of assets and liabilities. Assets indicate the investment. So, investment upon the short-term financial management is regard as working capital management, which typically is viewed as the management of current assets and current liabilities of the firm. As we know that a firm's value can not be maximized in the long run unless it survives the short run.

Firms fail most often because they are unable to meet the working capital needs, consequently; sound working capital management is requisite for firm survival.

‘working capital; management involves the administration within policy, guidelines of current assets and current liabilities; (*weston & Brigham :1996:332*)

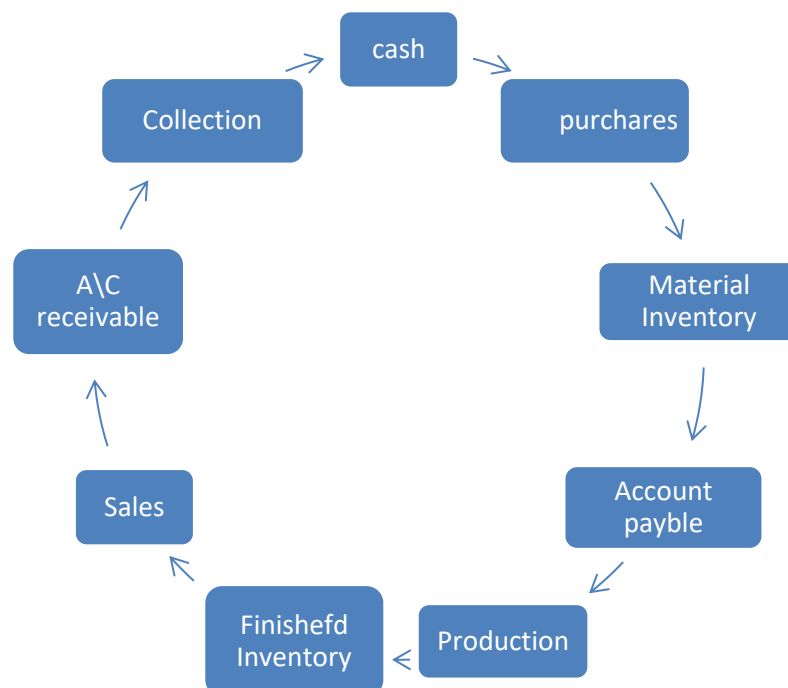
‘working capital; A firms investment in short term assets marketable securities, inventory and account receivables. (*weston & Brigham :1996:332*)

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

In one word, ‘Assets that will normally be turned into cash within a year. Is current assets where as ‘liability that will normally be repaid within a year is current liabilities’ (*Adam: 1973:262,283*).

This, working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship.

Figure-2



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

2.1.4 CONCEPT OF WORKING CAPITAL

Our study focures concept of working capital, but to know the concept of working capital, firstly we have to know the concept of capital only. Capital is the amount of money in terms of cash or kind invested in a business.

‘capital is the main & important sources of fund capital are the firm of comonodities. The article of which capital is composed is produced specially for the market and must be transferred into money, hence go through the process’.

Generally, working capital means the excen of current assets over current liabilities. The working capital is the capital needed to cinduct day to day operation bussiness working capital is therefore, a broader term and there are chances of misunderstanding it. If business enterprises manager clear cut concept of working capital,liquidity crisis could have been avoided. Defiency of knowledge about working capital concept has often brough a lot of liquidity crisis in face there are two concepts of working capital.

a. Gross concept

The gross concept refers that the total of all current assets are working capital. Generally the assets which are coverted into cash within a year are current assets. Gross concept in working capital means total sum of current assets only. They are:-

- I. cash
 - a) cash in hand

- b) cash of Bank
- II. Bills receivable (sundry debtors)
- III. Sundry debtors (less new bad and doubt ful debts)
- IV. Inventories
 - a) Raw Materials
 - b) work in progress
 - c) Finished goods
- V. Prepaid expenses
- VI. Account receivables
- VII. Accrued income

In the word of Adam Smith 'The goods of the merchant yield him no revenue in profit till he sells them for money and the money yield him a little till it is again exchanged for goods. His capital is continuously going from him in one shape and refining him in another and it's only by means of such circulation's or successive exchange that can yield him any profit. Such capital therefore, may properly be called circulating capital (*adam smith : 1973:262:283*)

R.s. Pradhan and K.D. Koirala express their view about gross concept of working capital as "If all the expenses needed to turn the day-to-day operation of business such as amount to be invested in the form of cash, finished goods, receivable etc. are put together it is called working capital. This working capital and total current assets are synonymous."

According to R.S. Sharma and S.K. Gupta, "the term working capital refers to the gross working capital it represents the amount of funds invested in current assets. Thus, the gross of an enterprises."

According to this concept the total of current assets is working capital. The liabilities are greater than current assets, it is negative. If the current liabilities are lower than current assets, it is positive. The current liabilities should be paid within a year. There are as under:

- I. Bills paybles
- II. Sundry creditors
- III. Account payables
- IV. Advance
- V. Bank overdrafts
- VI. Outstanding expenses
- VII. Income tax payable

Net working capital is commonly define difference between current assets and current liabilities.

According to Gitman, “the term net working capital can be defined as in two ways: (a) the most common definition of net working capital is the difference between current assets and current liabilities and (b) Alternative definition of net working capital is that portion of firm’s current assets, which is financed with long-term funds. (*Gitman:150*)

As expressed by American Institute of cortified public Accountants USA, working capital, is represented by the excess of current assets over current liabilities and identifies and identifies the relatively liquid position of total enterprise capital which lonstitutes a margin of buffen for matwring obligations within the ordinary operation cycle of the business.

The working capital, being the difference between current assets and current liabilities, indicates the liquidity position on and suggest the extent the which working capital needs may be financed by the permanet sources of funds.

Net working capital can be negative of possitive. A possitive net working capital will arise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities are in a excess of current assets.

The gross is a capital is a financial going concer concept where as net working capital concept is an accounting concept of working capital.

There two concepts are not exclusive, rather both excessive investment in current assets affects profitability, as idle investment yields nothing. Similar inadequate investment in current assets makes it difficult to carry out day-to-day operation of the business smoothly.

In this way, there two concepts are complementary to with each other. Choice of there two concepts by the firm or indistru depends up on the purpose of the firm of industry. So,ther two are not contradictory but complementary. It is true that the current assets must be higher then current liabilities. Otherwise, the firm or industry may go into in solvency and liquidation.

2.1.5 IMPORTANCE OF WORKING CAPITAL

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

- a) A large proportion of the financial manager's time is allocted to working capital management.
- b) More than helf of the total assets are typically invested in current assets.
- c) The relation between sales growth and the need to invest in current assets is close and direct.
- d) Investment in fixed assets many by reduced by renting or leasing, but investment in inventories and receivobles are usually unavoidable.
- e) Small firms may maximixze their investment on fixed assets by leasing but they can not avoid investment in cash, receivables and inavoidable.
- f) Management of working capital increases the sales.
- g) Management of working capital increases the credit worthiness.

2.1.6. TYPES OF WORKING CAPITAL.

The working capital is divided into two groups.

a) Permanent working capital

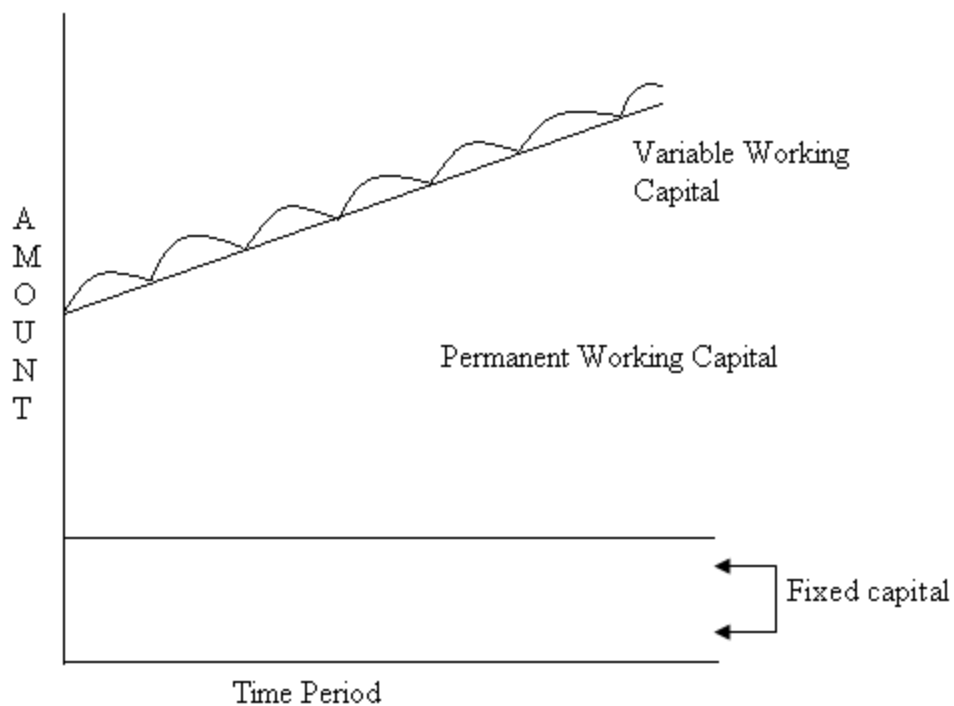
The capital which is not changed due to the proportional change in production and sales is known as permanent working capital. The investors invest the fixed amount in such assets such as bank and cash safety stocks. On the investment made upon there never be zero. So, the vary changed into sales leads to change permanent working capital.

b) Variable working capital

the capital which changes with respect to the proportions change in production and sales. Increases in sales, increases this capital and decreases in sales does not decrease this capital. For heavy sales, the stock of materials should high as well, as higher receivable, which increases the variable working capital.

One figure is presented below to understand between variable working capital.

Figure-3



From the above graph, the fixed capital is not changed due to the utilization of full capital is changed due to the changed into productions. But there may not be fluctuated in short period of time. At the time of nepal sales, more circulating capital needed and slack sales, few circulating capital is needed and slack sales, few circulating capital is needed.

2.1.7. WORKING CAPITAL POLICY

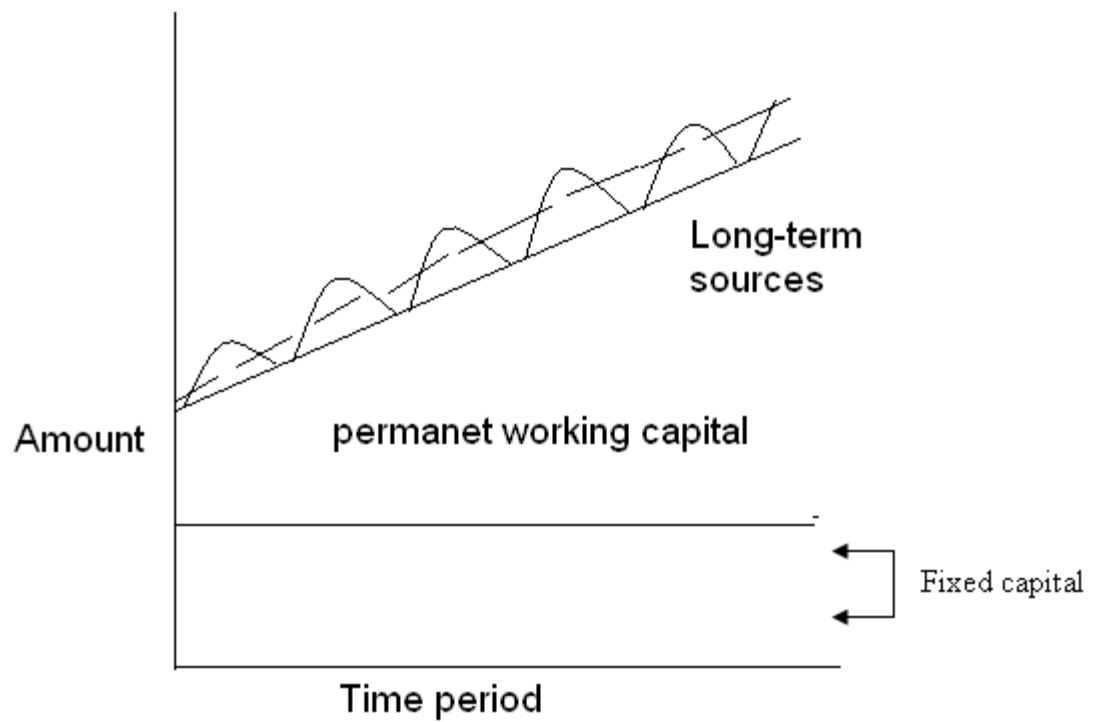
Working capital policy (Relaxed policy) conservative policy carries a high level of current assets (cash, marketable securities, receivables and inventories) to sales. It uses more long-term debt and less short-term debt for financing current assets so conservative policy lowers the risk and return.

a. Conservating policy (Relaxed policy)

Conservative policy carries a high level of current assets (cash, marketable securities, receivables and inventories) to sales. It uses more long-term debt for financing current assets so conservative policy lowers the risk and return.

Variable working capital

Figure-4

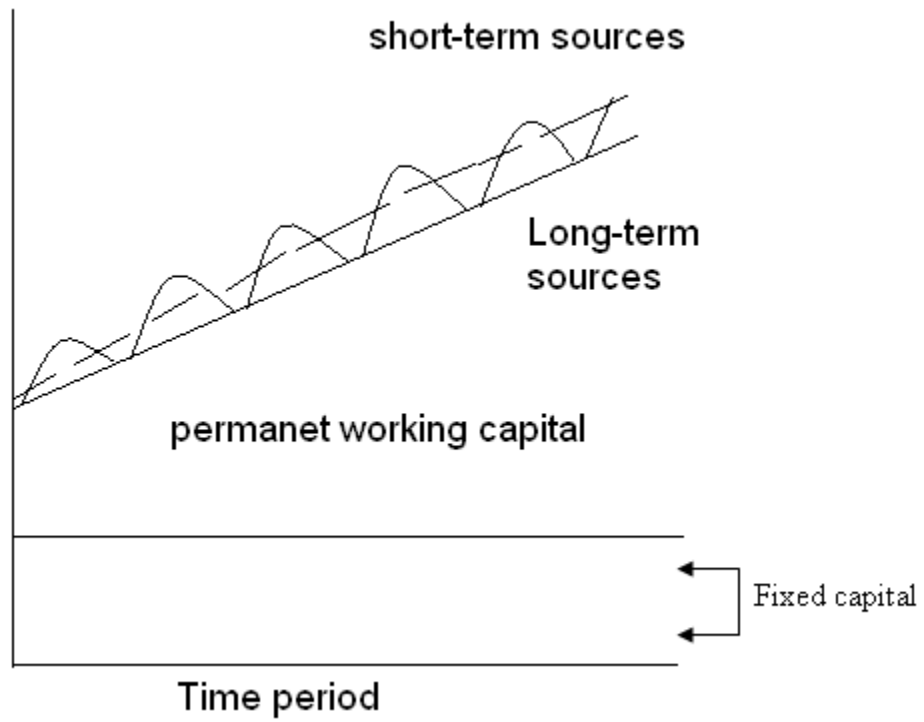


b. Aggressive policy (tight policy)

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

Variable working capital

Figure-5

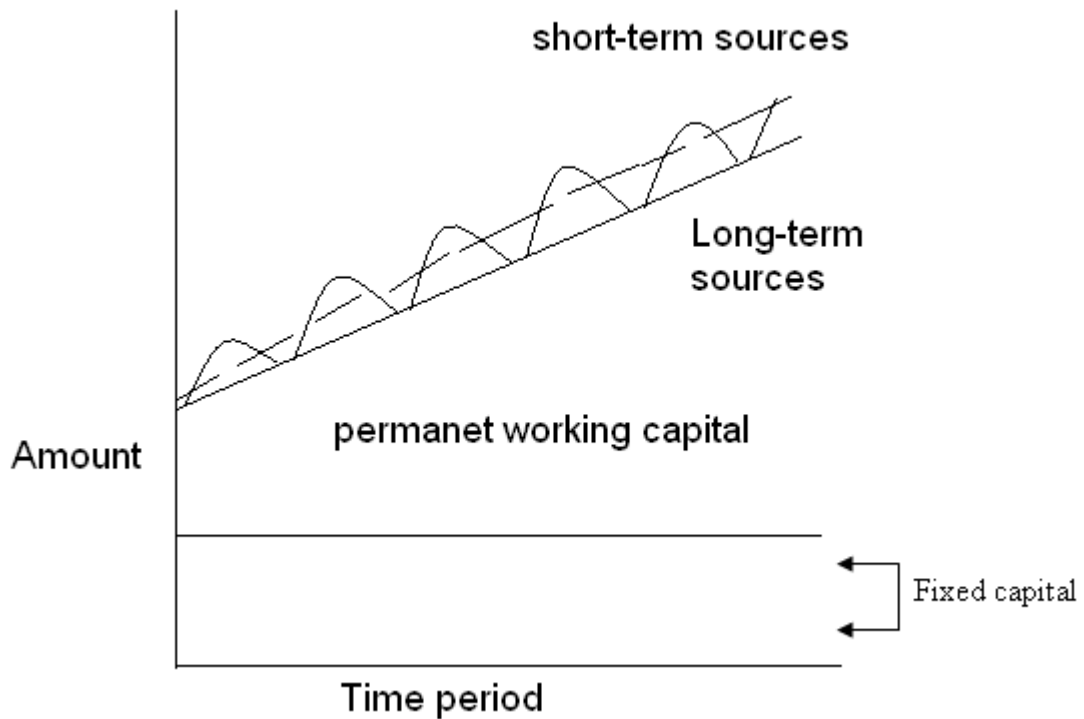


c. Mederate policy (Average)

It lies in between two extrenes. It is uses the balance amount of short term and long term debt so, it is risk return trade off point.

Figure-6

Variable working capital



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

2.1.8. DETERMINANTS OF WORKING CAPITAL

Some factors are the barriers of working capital that determines the working capital are illustrated as under:

- a) Size of business
- b) Nature of business
- c) Seasonal effects
- d) Growth rate
- e) Cyclical factor
- f) Changes in technology
- g) Production policy
- h) Cash flow cycle
- i) Price level changed
- j) Credit policy

- k) Manufacturing process
- l) Demand policy
- m) Credit policy
- n) Transportation and communication facilities.
- o) Tax policy
- p) Terms of purchases and sales
- q) Business cycle.
- r) Operating cycle.
- s) Technological development.

So, the financial managers should try full attention towards that point to manage effectively and efficiently.

2.2 REVIEW OF RELATED STUDIES :-

2.2.1. REVIEW OF JOURNALS/ARTICLES

Article, journals and bulletins are great significances for thesis writing, so various published articles by different management experts and journals bulleting relating to working capital management have been considered.

The research work done by Dr. Manohar K. Shrestha is an article, "working capital management in selected public enterprises". In this study Dr. Manohar K. Shrestha found that the proper management of working capital is a neglected factor in most of the enterprises. They are suffering from inefficient cash management, defective inventory policy and lack of account receivable management. Due to the improper working capital policy, the enterprises fail to determine the liquidity needs and appropriate sources of financing them. The liquidity position of selected P E S differ widely in view of the difference in their nature, but the liquidity position maintained by most of the individual enterprises is less than satisfactory. Similarly, due to lack of proper plans and policies, the most of the enterprises on the other hand, are showing poor turnover.

This also demonstrates operational inefficiency if P E S . it is seriously undermined and this has brought of times, unfavourable implication in the overall management of working capital. He also stated that the profitability of the most of the P E S is positive, but not satisfactory. The employment of working capital in term of returning is not sufficient to justify in current assets. Lastly, low capital utilization is the direct result of ineffective working capital policy bringing less return on net working capital.”

Turnover and profitability ratios were calculated. In this analysis he found that four P E S had maintained adequate liquidity position, two had excessive and remaining four had failed to maintain desirable liquidity position. On the turnover side, two P E S had negative working capital turnover, four had different turnover, one had high turnover and the remaining three had not satisfactory turnover on net working capital. He had also found that out of ten P E S sis public enterprises were at operating ar losses while only four were getting some percentage of public. With references to those findings he had bough certain policy issues such as lack of suitable financial planning, negligence of working capital management, deviation between liquidity relationship between turnover and return on net overcome from the above policy issues, Viz, identification of management information system, positive attitude-toward risk and profit abed determination of right combination of short-term and long-term sources of funds to finance working capital needs.

Dr. Manohar K. Shresth has conducted an empirical observation of twelve selected P E S. in this article he has described the conceptual ingredients concerning the working capital, such as conceptual setting sources of working capital and types of working capital. From the analysis he found that the liquidity position of the selected PES differs widely in view of the differences in their nature of business. There were

also above normal acid-test ratio. While analyzing the turnover of those selected PES shows wide deviation. Based on the sales value four out of seven PES had been satisfactory maintained and in some of them inventory had exceeded sales. The collection period relating to the selected PES exhibited marked difference ranging from 32 days to 775 days. Profitability position was analyzed return net working capital was positive for eight PES negative for two PES and the rest two had not any return since, they were in establishment pare.

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

Another articles relating to working capital management is by Dr. Pradhan. He studied on the demand for w/c by Nepalese corporations. For the analysis nine manufacturing public corporations were selected with the twelve years data from 1973 to 1984. From the study he concluded that.

The earlier studies cooperating the demand for cash and inventories by business firm did not report unanimous findings. A lot of economics of scales, role of capital cost and capacity utilization rates and the speeds with which actual cash and inventories are adjusted to describe cash and inventories respectively. The pooled regression results show the presence of economies of scale with respect to demand for working capital and its various components. The regression results suggest strongly that the demand for working capital and its components is a function of both sales and capital costs. The regression results suggest strongly that the demand for w/c and its components is function of both sales and capital costs. The estimated results shows that the inclusion of capital utilization variable in

models seems to have contributed to the demand function of cash and net working capital only. The effects of capacity utilization on the demand for inventories, receivables and gross working capital are doubtful.

2.2.2. REVIEW OF RELATED LITERATURE

Under this topic, different pioneer's conclusions of research works are scientific result. Some of the research outcomes performed by different pioneers under the heading of w/c and others are presented below:-

Dr. Khagendra Acharya had concluded about the working capital management of public enterprises. Some major countesses of this study are,

- I. Inventory constitutes the most important and largest element of w/c in NIDC. The overall adequacy of inventory in NIDC discloses that the growth of w/c and inventory in the corporation are negative correlated.
- II. The break even analysis of NIDC reveals that due to insufficient working capital the corporation has been selling the products at a for below rate than its break oven.
- III. The credit policy, which is not clear in it sell has not been following by the corporation while collecting the over due accounts.
- IV. NIDC is expected to improve its prevalent system of inventory management regarding the planning and purchasing of spare parts, manures, insecticides, fusels etc. V. Receivables are growing rapidly than the correstionding growth on sales volume.

Mr. Bharat Raj Pokharel had studied about "marketing activities of Nepal plastic pvt.Ltd." He had given the following suggestion and recommendation

- I. The company should diversify the product lines hardened pipes, consumer goods such as kitchen wares and other general containers can give more profitability.
- II. Research and development activities should be performed to bring efficiency in production and reduction of operating cost.
- III. Lastly, the company should improve itself by the help of sales representatives and displays.

Similarly, Mr. Keshar Prasad Gadtaula had researched on w/c management of NIDC as partial fulfillment of master Degree of management. He concluded that

- I. Risk, liquidity and return policy are the factors that determine the level of current assets. Heavy amount of current assets create more liquidity and return policy are the factors that determine the level of current more liquidity. So, the firm can not maximize its profit.
- II. Growth in production and sales make growth in raw materials inventories, which must require more working capital financing.
- III. The correlation between w/c and total assets and w/c and net rules of NIDC is perfectly co-related.

Similar, Mr. Roshan Kumar Dutta had also performed a research work on w/c management of Himalayan soap and chemical Industry pvt. Ltd. The conclusion of this study is written as under

- I. Cash and bank balance of Himalayan soap and chemical is minimum in comparison with the investment made on current assets.
- II. The investment on inventory is decreased which is between for the company.

- III. The level of current assets depends upon its rises liquidity position and return policy because more investment in current assets indicates more liquidity position but it can minimize profitability.
- IV. The current assets turnover ratio of Himalaya soap and chemical Pvt.Ltd are in fluctuating trend, which indicates unfavorable condition of the company because this ratio is less than average current assets turnover ratio of Nepalese profit manufacturing consen this also shows un sound management of current assets in composed to sales
- V. The current ratio Himalaya soap & chemical Pvt.Ltd during the study period are more than 2:1 this indicates the company is is a position to pay of Rs.1 current obligation out of Rs. 2 investment in current assets. The overall position of the firm is some how appropriate.
- VI. Net profit margin ratio shows the negative during the first four year of study period but suddenly positive in final year which is better for the company go get the profit in the final year.
- VII. Return on assets shows negative trend during first four years and positive in final year.

Recommendation

- I. If the company's activities show the negative ion pact, it should borrow cash to make the strong liquidity position.
- II. The each rule makes the company strong in short term liquidity position but the company should try to minimize the receivable without decreasing sales.
- III. The profitability of the company only be maintained by making a least forty percent amount should be investment on current assets.
- IV. The average collection period be minimized.

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

The above review of literature from various books, journals and articles and dissertations related to the w/c management should that one of the major problem in Nepalese corporations behind unhealthy and unisound situation is improper management of w/c. since the success and failure of any enterprises is having dependents upon the efficient management of working capital and being a manufacturing company established in Nepal the efficiency in the management of w/c should be analyzed. Till now, no any other study has been made for the analysis of working capital management in J.Bs. Pvt. Limited industry so, this study has attempts to analyzed the working capital management in J.Bs. Industry by taking five years data for observation with the help of methodology as described in the following chapter.

CHAPTER-III

RESEARCH METHODOLOGY

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

3.1. INTRODUCTION :

The main objective of this analysis is to evaluate the status of w/c management of J.Bs. Industries. So, the systematic study needs the different research methods, which lead us to the better result. For the better results, systematic methodology should be needed. This study is based upon secondary data which are obtained from the head office of that factory. Different types of research method are used to evaluate the data and to obtain a better result.

3.2. POPULATION AND SAMPLE SIZE :

Population or universe refers to the entire group of people, events or things of interest that the research wishes to investigate. For example, if a student is interested in investigating the smoking habits of employees in a factory, then all employees in that factory will form the population.

‘Population may be finite or infinite; (Wolf: 2005:162)

A finite population is one containing a fixed number of elements. But infinite population is not countable; sample frame is the list of items in the universe. From which the sampling is drawn. Selecting a student from among students is known as sampling. So, it is a selection from population. All financial years from starting are the population of J.Bs. Industries. The data has analyzed from year 2062 to 2067 B.S. are only the sample.

It is very difficult to get the actual data. But audited data which are available are analyzed in the study. It is very difficult to analyze the data from the starting year and result can not be obtained by taking consideration into the population so, only the sample is used to analyze and give perfection to the study. 'It is not always possible to study every items or elements in a universe; (wolf: 2005:162).

So, the samples from total fiscal year's data are taken due to lack of time and money. Hence sampling becomes inevitable.

3.3. RESEARCH DESIGN :

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

According to karlinger (1986) describes research design as follow:

'Research design is the plan, structure and strategy of investigation conceived to control variance. The plan is the overall scheme or program of the research. It includes on out line of what of what the investigator will do from writing the final analysis of data. The structure of the research design is more specific. It is the out line the scheme, the paradigm of the operation of the variables and their relation and juxtaposition; we build structure schemes for accomplishing operational research purpose. Strategy as used here is also more specific than plan. In other words, strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled; (wolf: 2005:92).

It is taken into consideration to the efficiency and performance regarding the w/c management of J.Bs. Industries. This study also tries to make comparison and to establish relationship between two or more variables. By the help of secondary data, the variables of J.Bs. Industries are analyzed in this study.

3.4. RESEARCH METHODS AND DATA COLLECTION STRATEGY:

Research method refers to the way of collection of the data of this factory to the way of collection of the data of this factory. To conduct the good study to get better result, questionnaire and direct supervision are taken into consideration to get the better conclusion. Sources of data are collected by the focal to this factory and secondary data are used. As far as possible, the other spot study is also performed to get the better conclusion. Without the data collection procedures, the result may not be good and result oriented. So direct supervision and questionnaire are followed to analyse the w/c position of the J.Bs. Industry

3.5. NATURE OF DATA AND COLLECTION PROCEDURES :

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

For the study, only the audited balance sheet, PLC account and other related data, which are secondary in nature and collected from the head office of this firm are used. Managers, accountants and other personnel of this factory helped to obtain data of J.Bs. Industry.

3.6. METHOD OF DATA ANALYSIS

In this topic the statistical and financial methods of the available data to be analyzed of J.Bs. Industry are discussed below.

Financial analysis

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

Ratio Analysis

Ratio analysis is the expression of one figure in lessons of another's. It is the expression of one relationship between the mutually in dependent figures. It is simple mathematical expression of the relationship of one item of to another absolute figure alone. Accounting ratios shows the relationship existed among various accounting data.

Ratio refers to the numerical and quantitative relationship between two items or variables. In simple language, ratio is one number expressed in terms of another and can be worked out by dividing the number to the other. So, to speak, it is calculated by dividing one items of the relationship with others.

In financial analysis, ratio is used as an index of yardstick for evaluating the financial position and performance of the firm. It is a technique of analysis and interpretation of financial statements. It helps to make decisions as it helps to establish to relationship between various ratios and interpret there on.

According to Kohler, "a ratio is relationship of on amount to another. Expression of the quantities relationship between two numbers."

Under this ratio analysis different ratio are classified into four groups on baric of the utility.

3.6.1. STRUCTURE OF WORKING CAPITAL ANALYSIS:

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

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

$$\text{Current assets to total assets} = \frac{\text{current assets}}{\text{Total assets}} = \text{-----}\%$$

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

B. Current assets to fixed assets.

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

$$\text{Current to fixed assets} = \frac{\text{current assets}}{\text{fixed assets}} = \text{-----}\%$$

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

C. Cash and bank balance to current assets

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

$$\text{Cash and bank to current assets} = \frac{\text{cash and bank balance}}{\text{current assets}} = \text{-----}$$

%

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

D. Cash and bank balance to total assets

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

$$\text{Cash and bank balance to total assets} = \frac{\text{cash and bank balance}}{\text{Total assets}} = \text{-----} \\ \text{-%}$$

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

E. Debtors (receivables) to current assets

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

$$\text{Debtors (receivables) to current assets} = \frac{\text{Debtors (receivables)}}{\text{current assets}} = \text{-----}\%$$

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

F. Debtors (Receivables) to total assets

Receivables to total assets indicates the relationship between receivable to total assets which is calculated as under:

$$\text{Receivables total assets} = \frac{\text{Debtors (Receivables)}}{\text{Total assets}} = \text{-----}\%$$

Increasing ratio implies the liberal credit policy and decreasing ratio implies the tight credit policy.

G. Inventory to current assets

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

$$\text{Inventory to current assets} = \frac{\text{Inventory}}{\text{current assets}} = \text{-----}\%$$

Higher of this ratio indicates the liberal inventory policy followed by the firm and lower ratio indicates the tight inventory policy followed by the firm.

H. Inventory to total assets

The ratio of inventory to total assets indicates the proportion invested in the form inventory on total assets. It is calculated by :

$$\text{Inventory to total assets} = \frac{\text{Inventory}}{\text{Total assets}} = \text{-----}\%$$

If this ratio increasing, the working capital is also increase and decreasing ratios indicates the decreasing w/c. increasing ratio indicates the blockage of materials in the factory and implies that the factory (firm) uses the liberal inventory policy.

I. Networking capital financing

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

$$\text{Networking capital financing} = \text{total C/A} - \text{total C/L}$$

Higher the net working capital, whither will be the possibility of idle amount for financing.. financing in a good opportunity will be profitable for the firm

3.6.2 LIQUIDITY RATIO

Liquidity ratio measures the short-term slovenly of the firm. Under these, two ratios are computed

a. Current ratio

It is the test of liquidity and it shows the ability of the firm its short term obligations.

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}} = \text{-----Times}$$

Ist standard is 2:1

b. Liquid /Quick /Acid test ratio

Liquid ratio measures the short-term liquidity of the firm but it emphasis by instant debts paying capacity of the firm. Liquid assets includes current assets less and prepaid expenses

$$\text{Current ratio} = \frac{\text{Liquid/Quick Assets}}{\text{Current liabilities}} = \text{-----Times}$$

Ist standard is 1.1 for the better position

3.6.3 PROFITABILITY RATIO

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

a. Gross profit margin

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

$$\text{Gross profit margin} = \frac{\text{Grossprofit}}{\text{sales}} \times 100\% = \text{-----}\%$$

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

b. Net profit margin

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

$$\text{Net profit margin} = \frac{\text{Net profit}}{\text{sales}} \times 100\% = \text{-----}\%$$

A high profit margin would enable the firm to withstand adverse economic conditions and a low margin will have opposite implications.

c. Return on total assets

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

$$\text{Return on total assets} = \frac{\text{Net profit after tax}}{\text{Total assets}} \times 100\% = \text{-----}\%$$

Higher ratio shows the higher returns on assets used in the business thereby indicating effective use of the resources available and vice versa.

d. Return on current assets .

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

$$\text{Return on current assets} = \frac{\text{Net profit after tax}}{\text{Total current assets}}$$

Increasing ratio indicates the effective utilization of W/C to earn profit.

3.6.4. ACTIVITY RATIO

Activity ratios are including the following ratios.

a. Inventory turnover ratio:- Inventory turnover ratio explains whether investment in inventories is within proper limits or not. It indicates marketability of inventory and reasonableness of quality on hand.

$$\text{Inventory turnover ratio} = \frac{\text{Sales}}{\text{Inventory}} = \text{-----}\%$$

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

b. Receivable turnover ratio:- This ratio indicates the velocity of debt collection of a firm. In other words, it indicates the number of times average debtors are turn over during a year. It is calculated by:-

$$\text{Receivable turnover ratio} = \frac{\text{Debtors (Receivable)}}{\text{Total Sale}} = \text{-----}\%$$

Higher the value of debtor turnover ratio is more efficient management of debtors.

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

$$\text{Average collection period} = \frac{\text{Days in a year}}{\text{Debtors turn over ratio}} = \text{----- Day}$$

Shorter the collection period is better for the concerned firm.

d. Fixed assets turnover ratio:- Fixed assets turnover ratio indicates the extent to which the investment in fixed assets contributes towards sales.

$$\text{Fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Net fixed assets}} = \text{-----Times}$$

$$\text{Net fixed assets} = \text{total assets} - \text{Dep}^n$$

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

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

$$\text{Total assets turnover ratio} = \frac{\text{Sales}}{\text{Total net assets}} = \text{-----Times}$$

Where,

Total net assets = current assets + fixed assets + intangible assets - less Depⁿ and write off.

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

f. Net working capital turnover ratio:- Networking capital turnover ratio is related sales. It implies the velocity of the utilization of W/C. it is calculated by :

$$\text{Networking capital turnover ratio} = \frac{\text{Sales}}{\text{Networking capital}} = \text{-----}$$

Times

Lower the turn over ratio effective management of W/C and higher shows the effective management of W/C.

3.6.5. TREND ANALYSIS

Trend Analysis is a powerful financial tools to know the financial position of the firm. In this research work, trend percentage is calculated treating from fiscal year 2062/063 as bare year.

3.7. STATISTICAL METHODS

In spite of satisfied analysis, the mean, correlation coefficient, bar graph and probable error are used to analyze the J.Bs. products (S) Pvt. Ltd.

3.7.1. ARITHMETIC MEAN (Average)

The most popular and commonly used is average which represents the entire data by a single value. It is the value obtained adding together all items and by dividing this total by number of items observed.

‘Average provides us the gist and gives a bird’s eye view of the huge mass of unwieldy numerical data; (Bajracharya :2053:101).

It can be computed by using the following formula $X = \frac{\sum x}{N}$

Where, X=mean (Average) of taken items.

$\sum x$ = sum of all the values of taken items.

N= no, of items observed

3.7.2. BAR GRAPHS

Bar is a statical tool to analyze different component in one graph. It helps to find out the investment in one graph. It helps to find out the investment made of different assets and liabilities. In other words, it means the presentation of data in the form of graph. It tries to judge the variability of one variable. Amount investment in respect to time period is under taken in the study.

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

3.7.3. CORELATION ANALYSIS

Correlation analysis in a tool to describe the relation of an item to other items. To calculate it the following formula in used.

$$R = \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}}$$

Where,

R=correlation between dependent and independent variables

N= no .07 observations

$\sum xy$ =sum of multiply of dependent and independent variables.

$\sum x^2$ = sum of the square of independent variables

$\sum y^2$ =sum of the square of dependent variables

The value of 'r' lies in between -1 and +1. Which r=1, it implies the perfectly positive correlations or r=-1 indicates the perfectly negative correlation and r=0 indicates no relation between variations.

3.7.4 PROBABLE ERROR

Probable errors in a statistical tool to calculate the relationship between two variables. To calculate, we use.

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

P_e = probable error

R =correlation between two variables

N=no.07 observations

If correlation (r) is less than p_e , it is not at all significant and if r is more than 6 times of p_e then relation is considered as significant.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

The main objectives of this study are to know the working capital structure of J.Bs. Products (s) Pvt. Ltd. To find out the working capital structure of J.Bs products (s) Pvt. Ltd the data are presented and analyzed in this chapter. This chapter deals about the actual study of working capital position through the financial audited reports from 2063 to 2067. The purpose of this study is to analyze W/C, liquidity position, turnover position, and profitability position with the helps of ratio analyzed, trend analysis as well as various financial tools and statistical tools.

4.1.1 ANALYSIS OF CURRENT ASSETS

The main component of the business is current, which are need to run day to day business activities. The total sum of current assets is known as gross W/C. the C/A are differ to the amount of W/C needed and the size of the enterprises.

The sum of cash, marketable securities, bills receivable, inventories are the requirements of cash and every organization to operate the organization day to day operation smoothing. Sum of there assets are regarded as current assets. In this word, the assets or the source of capital, which are converted into cash within an accounting period, usually a year of the business? In summary, 'those assets which are expected to be realized in cash within a relatively short period of time, usually one year are termed current assets; (*Lynch & William :1994:468*).

A firm needs cash to purchase raw materials, pay expenses this is because of not perfect matching between cash inflow and outflow. Cash also may be held to meet the future expenses. The stock of raw materials are kept in order to ensure the smooth production and to prevent the risk of non-availability of raw materials. To meet this obligation also cash is needed.

Any business organization aims to maximize return on shareholders investment. In order to accomplish this objectives, the business organization should earn sufficient return for its operation. Earning a steady amount of profit requires successful sales. So, the firm has to invest enough funds in current assets for the success of sales. As the sales do not convert into cash instantly the extra amount of W/C is needed.

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

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

Table: 1
J.Bs. Product (s) Pvt. Ltd.
Analysis of current assets

particular	2062/63	2063/64	2064/65	2065/66	2066/67
Inventory	99,92,633	1,23,28,223	1,68,76,664	2,09,83,960	198,90,436
Percentage on C/A	83.27%	72.43%	72.25%	69.01%	61.14%
Sundry debtors	17,13,096	30,40,599	55,05,694	87,65,281	1,02,52,030
Percentage on C/A	14.27%	17.86%	23.57%	28.83%	31.51%
Cash in hand and bank	79,098	13,10,559	4,69,207	1,34,456	7,68,534
Percentage on C/A	0.66%	7.70%	2.00%	0.44%	2.36%
Prepaid expenses	215,374	3,40,643	5,09,267	6,21,896	16,20,970
Percentage C/A	1.79%	2.00%	2.18%	2.05%	4.98%
Total Amount	1,20,00,201	1,70,20,028	2,33,60,812	3,04,05,593	3,25,31,970
Total in percentage	100%	100%	100%	100%	100%

Sources : Appendix A

The above table-1 clearly shows the current assets position of J.Bs. Product (S) Pvt. Ltd. This table shows the investment pattern in assets

and inventories and sundry debtors have been founded major in comparison with bank and cash and prepaid expenses. Some times investment made in sundry debtors is higher. Investment on cash and bank balance is on third rank in previous 2 years then, investment made on prepaid expenses keeps the third position.

The percentage share of inventories in total current assets indicates that this is increasing. The percentage of inventories is 065/66 seems maximum and 062/63 seems minimum. The higher percentage indicates the low inventories turnover ratio and vice versa.

Sundry debtors occupy other major investment made on current assets. It is going to increasing posing in coming fiscal years. Therefore the increasing volumes indicate the large sales and low volume of debtors indicates the cooperating low sales volume.

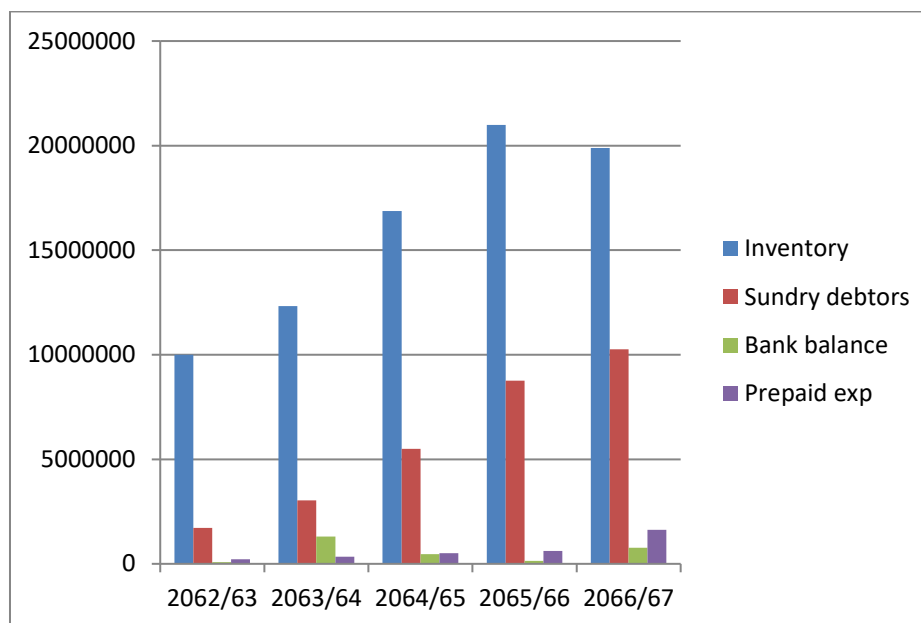
Cash and bank balance are also fluctuating trend. Low percentage of cash shows the higher stock turnover of stock realization of more cash and sound liquidity of firm.

Prepaid expenses are also a major investment made on current assets. It is going to increasing in coming years. The higher percentage of prepaid indicates the favorable condition the firm.

In conclusion, current assets of J.Bs product(s) Pvt. Ltd are increasing trend.

This can be shown in the bar graph as below.

Extent of the components C/A



(Graph-1)

From this Graph we know that the firm has invested more on inventories and sundry debtors (receivable). In the year 065/66 sundry debtors are more than other C/A. at the last year of study period it invested more on inventories in comparison with other C/A.

4.2 STRUCTURE OF WORKING CAPITAL

It is analyzed by the help of following ratios:

4.2.1 CURRENT ASSETS TO TOTAL ASSETS

The ratio on total is calculated to know the liquidity position of the firm because higher percentage of C/A on total assets indicates higher liquidity position of the firm as well as lowers the risk of being analyzed as under.

Table: 2

J.Bs. Product (s) Pvt. Ltd.

Percentage of current assets to total assets ratio

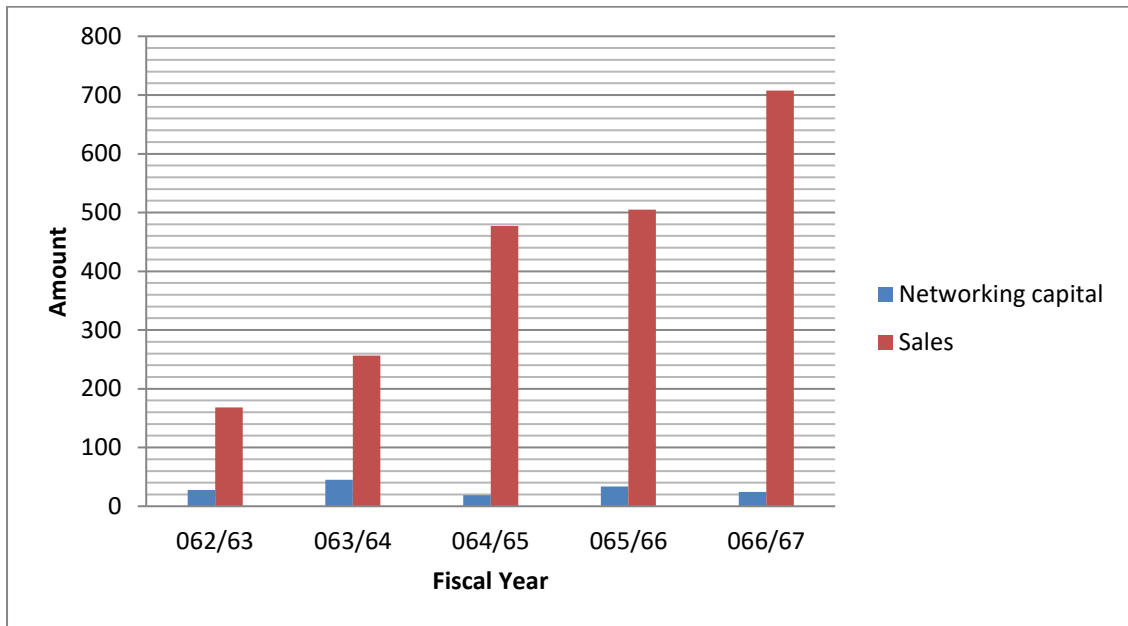
year	Current assets(C/A)	Total assets (TA)	Ratio (%)	Change (%)
2062/63	12000201	15999394	75	-
2063/64	17020028	22133766	76.90	1.90
2064/65	23360812	32404356	72.10	(4.80)
2065/66	30405593	39456505	77.06	4.96
2066/67	32531970	44651880	72.86	(4.20)
Total	115318604	154645901	373.92	-
Average	23063720.8	30929180.2	74.57	-

Sources: Appendix A

This ratio represents the proportion of current assets investment to total assets investment of J.Bs. product Pvt. Ltd. For selected five years study period. The above table (table-2) shows that the proportion of current assets is increased by 1.90% in the year 063/64 and decreasing by 4.20% in the year 066/67. The increasing trends show that the firm invest more on sundry debtors and inventories in the increasing year and vice versa. In average 74.57% in C/A on total assets.

In an average there is 74.57% of C/A on total assets. High level of C/A indicates good liquidity position but it adversely affects the profitability of the company because idle money can earn nothing. The trend of the relationship between C/A and total assets is generally increasing and decreasing.

This can be presented in the bar graph below.



(Graph-2)

Firm this Graphs the C/A is more than fixed assets. The firm invested more on C/A. It indicates the liquidity position of the firm is better. From the year 2062/63 to 066/67 the current assets is in increasing trend.

In order to test relationship between current assets and total assets Karl person's correlation coefficient (r) is computed below.

Table: 3

Computing of correlation coefficient (r) in order to test relationship between current assets and total assets

(Amount in Lakhs)

Year	Current Assets (x)	Total Assets (y)	X ²	Y ²	X.Y
062/63	120.00	159.99	14400	2559.80	19198.80
063/64	170.20	221.33	28968.97	48986.97	37670.37

064/65	233.60	324.04	54568.96	105001.92	75695.74
065/66	304.05	394.56	92446.40	155677.59	119965.97
066/67	325.31	446.51	105826.6	199371.18	145254.17
	$\sum x=1153.16$	$\sum y=1546.43$	$\sum x^2=2962$	$\sum y^2=534634.46$	$\sum xy=397785.05$

Sources: Appendix A

We know that,

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 397785.05 - (1153.16 \times 1546.43)}{\sqrt{5 \times 296210 - (1153.16)^2} \times \sqrt{5 \times 534634.46 - (1546.43)^2}} \\
 &= \frac{205644.03}{\sqrt{1481050 - 1329777.98} \times \sqrt{2673172.3 - 2391445.74}} \\
 &= \frac{205644.03}{\sqrt{151272.02} \times \sqrt{281726.56}} \\
 &= \frac{205644.03}{206441.57} \\
 &= 0.9961
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745\{1-(0.9961)^2\}}{\sqrt{5}} \\
 &= \frac{0.6745(1-0.9922)}{\sqrt{5}} \\
 &= \frac{0.6745 \times 0.0078}{\sqrt{5}} \\
 &= \frac{0.0053}{2.2361} \\
 &= 0.0024
 \end{aligned}$$

The correlation coefficient shows the correlation between current assets and total asset is significant and r is actually six time of p_e, the relationship is to be significant.

4.2.2 CURRENT ASSETS TO FIXED ASSET

The ratio on total current assets on fixed assets is calculated to know that percentage investment upon current assets and fixed assets.

Table: 4
J.Bs. Product (s) Pvt. Ltd.
Current assets to Total fixed assets
 (Amount in lakhs)

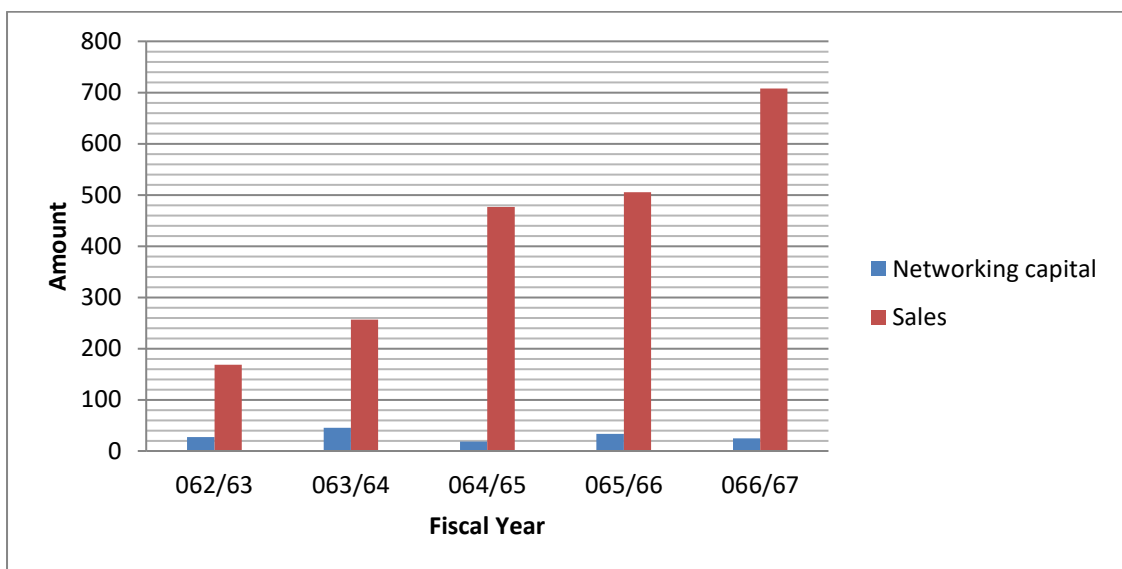
year	Current assets	Fixed assets	Ratio (%)	Change (%)
062/63	120.00	39.99	300	-
063/64	170.20	51.13	332.88	32.88
064/65	233.60	90.43	258.32	(74.56)
065/66	304.05	89.50	339.72	81.40
066/67	325.31	121.19	268.43	(71.29)
Total	1153.16	392.14	1499.35	-
Average	230.63	78.43	299.87	-

Sources: Appendix A

The ratio represents the investment made on C/A and fixed assets for the selected in year 063/64 and year 065/66 and decreased in year 064/65 and year 066/67.

The overall ratio shows that investment in current assets in comparing with it's fixed assets is in favorable in J.Bs. Product (s) Pvt. Ltd.

This data is presented in the bar graph as below.



Graph-3

The investment made on fixed assets is lower in comparison with C/A. It is more in year 066/67 and lower in year 062/63. It is clear the firm is investing less on fixed assets in comparing with current assets.

The order to test relationship between C/A and fixed assets the Karl Pearson's correlation coefficient is used.

Table: 5

Computation of correlation coefficient (r)

In order to test relation of C/A with fixed assets

(Amount in lakhs)

Year	Current Assets (x)	Fixed Assets (y)	X ²	Y ²	X.Y
062/63	120.00	39.99	14400	1599.20	4798.80
063/64	170.20	51.13	28968.97	2614.28	8702.33
064/65	233.60	90.43	54568.96	8177.58	21124.45
065/66	304.05	89.50	92446.40	8010.25	27212.48
066/67	325.31	121.19	105826.60	14687.00	39424.32
	∑x=1153.16		∑x ² =2962	∑y ² =35079.31	∑xy=101262.38

Sources: Appendix A

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 101262.38 - (1153.16 \times 392.14)}{\sqrt{5 \times 350778.92 - (1153.16)^2} \sqrt{5 \times 35079.31 - (392.14)^2}} \\
 &= \frac{54111.74}{\sqrt{424116.61} \times \sqrt{21622.77}} \\
 &= \frac{54111.74}{651024 \times 147.5} = 0.5633
 \end{aligned}$$

$$\text{Where as, } P_e = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.5633)}{\sqrt{5}} = 0.1315$$

Correlation shows the positive relationship between total current assets and fixed assets. R is six times greater than P_e . So, the relationship is significant.

4.2.3 CASH AND BANK BALANCE TO CURRENT ASSETS

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

Table: 6

J.Bs. Products Pvt. Ltd.

Cash and bank balance to current Assets ratio

(Amount in lakhs)

year	Cash of Bank	Current assets	Ratio %	Change %
------	--------------	----------------	---------	----------

062/63	0.7909	120	0.659	-
063/64	13.1055	170.20	7.70	7.04
064/65	4.6920	233.60	2.00	(5.70)
065/66	1.3445	305.05	0.44	(1.56)
066/67	7.6853	325.32	2.36	1.92
Total	27.6183	1154.17	13.16	
Mean	5.52	230.83	2.63	

Sources: Appendix A

The ratio is in fluctuating trend. In the year 063/64 the cash and bank balance is higher (i.e.7.70) in comparison with other year of study period. For the year 065/66, the cash and bank balance is minimum which shows the lower liquidity position of the industry. At the last year of study period it is only 2.36% in total. It shows the poor cash and bank balance.

Now this can be presented in the bar graph as below.

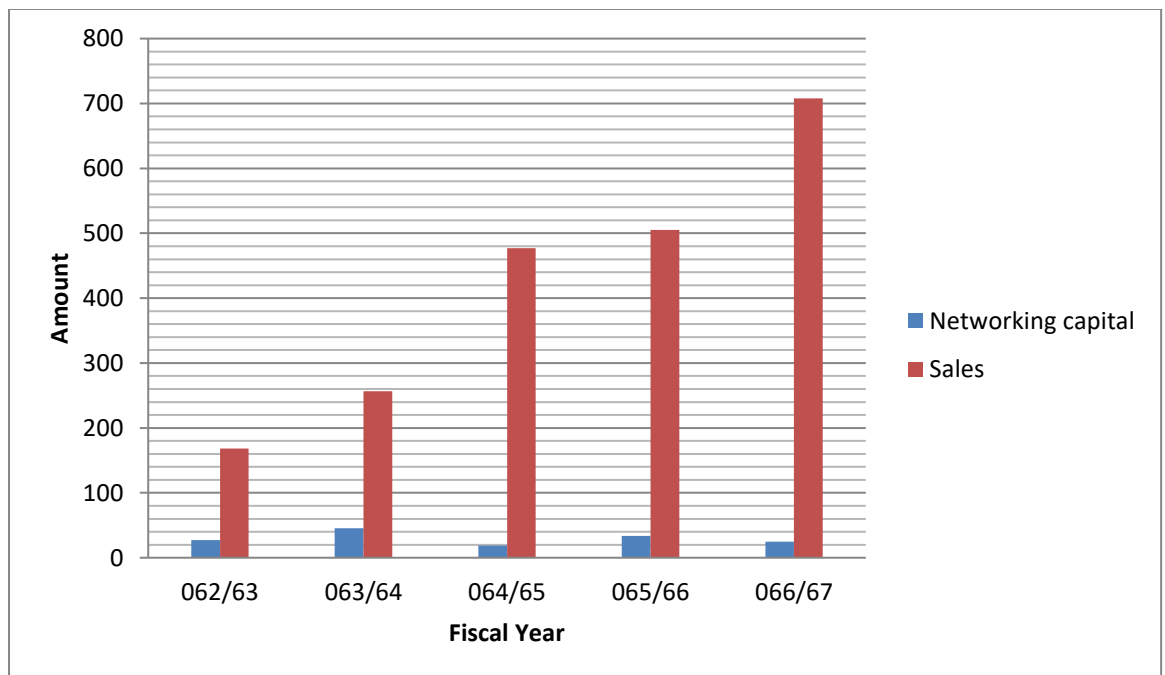


Figure 4

From this graph, the firm has invested little on cash and bank balance, it is very low in amount then it cannot be shown in the above bar graph from the year 062/63 to 2066/67.

To know the relation, Karl Pearson's correlation coefficient is computed.

Table: 7
Computation of correlation coefficient (r) in order to test relationship
between cash & bank balance to C/A

Amount in lakhs)

year	Cash of Bank(x)	Current Assets(y)	x.y	x ²	y ²
062/63	0.7909	120	94.92	0.6257	4798.80
063/64	13.1055	170.20	2230.57	171.76	8702.33
064/65	4.6920	233.60	1096.05	22.01	21124.45
065/66	1.3445	305.05	410.14	0.81	27212.48
066/67	7.6853	325.32	2500.18	59.06	39424.32
	Σx=27.6283	Σy=1154.17	Σxy=6331.86	Σx ² =255.27	Σy ² =296828.70

Sources: Appendix A

We know that,

$$R = \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}}$$

$$R = \frac{5 \times 6331.86 - (27.6183 \times 1154.27)}{\sqrt{5 \times 255.27 - (27.62)^2} \times \sqrt{5 \times 2968.70 - (1154.17)^2}}$$

$$= \frac{31659.30 - 31879}{\sqrt{513.49} \times \sqrt{151966}}$$

$$= \frac{-219.70}{22.66 \times 389.83}$$

$$= \frac{-219.70}{8833.50}$$

$$= -0.0249$$

Where is

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

$$= \frac{0.6745\{1-(-0.0249)^2\}}{\sqrt{5}}$$

$$= 0.3009$$

The correlation is positive between current assets to cash and bank balance but the relation is not significant because the r is not mix time greater then p_e .

4.2.4 CASH AND BANK BALANCE TO TOTAL ASSETS

For transactional motive, precautionary motive, and speculative motive, the cash is hold so, the daily business requirement should be met table-8 presets the proportion of cash and bank balance to total assets.

Table: 8

J.Bs. Pvt. Ltd.

Analysis and cash and bank balance to

Total assets ratio

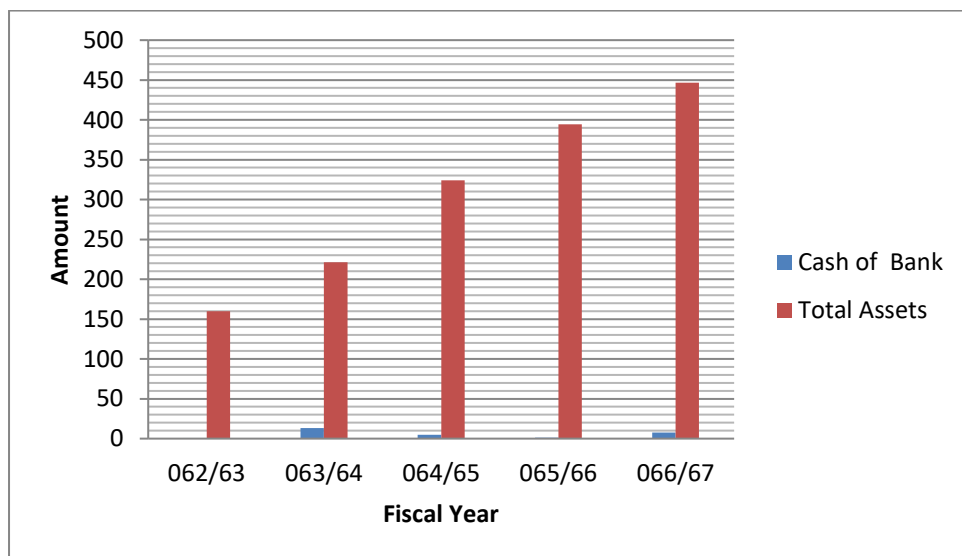
(Amount in lakhs)

year	Cash of Bank	Total Assets	Ratio %	Change %
062/63	0.7909	159.99	0.494	-
063/64	13.1055	221.33	5.921	7.04
064/65	4.6920	324.04	1.448	(5.70)
065/66	1.3445	394.56	0.341	(1.56)
066/67	7.6853	446.51	1.721	1.92
Total	27.6183	1546.43	9.925	-
Mean	5.52	309.286	1.985	-

Sources: Appendix A

At the Above table clearly shows that, trend is in decreasing because investment made current assets and fixed assets are increased in 2nd and 5th years. In this way, the company borrough products on cash. In year 063/64, the ratio is 5.9 which is highest and the ratio is in the year 065/66 is 0.341%, which is lowest.

This can be shown in the bar graph here under



Graph 5

From this graph, the firm has invested little on cash and bank balance comparing with total assets. So, it is very low in amount then it cannot be shown in the above bar graph.

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

Table: 9

**Computation of correlation coefficient of
In order to test relationship between**

Cash and bank balance to total assets

(Amount in Lakhs)

year	Cash of Bank(x)	Total Assets(y)	x.y	x ²	y ²
062/63	0.7909	159.99	126.54	0.6257	25596.80
063/64	13.1055	221.33	2900.66	171.76	48986.26
064/65	4.6920	324.04	1520.40	22.01	105001.92
065/66	1.3445	394.56	530.49	0.81	155677.59
066/67	7.6853	446.51	3431.56	59.06	199371.18
	$\sum x=27.6283$	$\sum y=1546.43$	$\sum xy=8509.65$	$\sum x^2=255.27$	$\sum y^2=534634.45$

Sources: Appendix A

We know,

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 8509.65 - (27.6283 \times 1546.43)}{\sqrt{5 \times 255.27 - (27.6283)^2} \sqrt{534634.45 - (1546.43)^2}} \\
 &= \frac{-176.98}{\sqrt{513.03} \sqrt{42105933.91}} \\
 &= \frac{-176.98}{22.65 \times 530.77} \\
 &= 0.0147
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745\{1-(-0.0012)^2\}}{\sqrt{5}} \\
 &= 0.30
 \end{aligned}$$

The relation is in significant because r is not six timer greater then P_e.

4.2.5 RECEIVABLES TO CURRENT ASSETS

Receivables means the amount should be received from customers who have bought goods on credit. So, it is C/A. these account receivable are also called receivables or debtor.

In this competitive world, the credit policy of a firm plays key role to develop and expansion of the market. The firm of enterprises should increase its sales volume to obtain profit and maximize the shareholder wealth. The enterprises should merge receivable property. The firm should determine the optimum receivables to manage working capital.

Higher degree of receivables results unnecessarily holding of W/C allow degree causes negative result in sales. The following table shows the proportion of debtors to the C/A.

Table: 10
J.Bs. Pvt. Ltd.
Receivables to current assets

(Amount in lakhs)

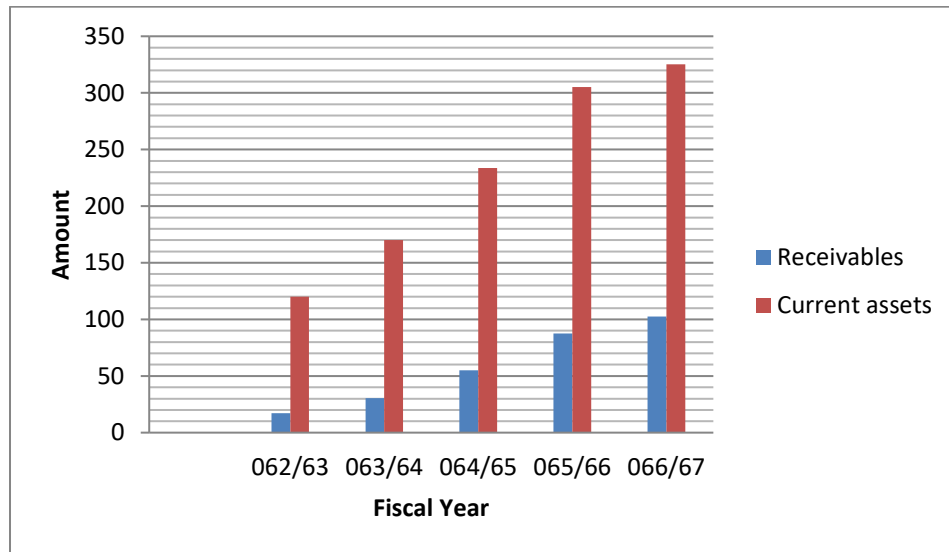
year	Receivables	Current assets	Ratio %	Change %
062/63	17.13	120	14.27	-
063/64	30.40	170.20	17.86	3.59
064/65	55.05	233.60	23.56	5.70
065/66	87.65	305.05	28.73	5.17
066/67	102.52	325.32	31.51	2.78
Total	292.75	1154.17	115.93	-
Mean	58.55	230.83	23.186	-

Sources: Appendix A

From the above table, the ratio on receivables to C/A are increasing in trend. The highest ratio is the year 2066/67 which is 31.51% and in

year 2062/63, it is 14.27%. above data is clearly shows that company has increasing receivable policy. It indicates the firm is increasing the receivable.

This can be shown in the bar graph here under.



Graph 6

From this figure, we know the investment made on receivables by current assets. It is greater in the year 2066/67 and lower in the year 2062/63. Some it is increased as well. As it is decreased other time. So it is in fluting trend.

To know the relationship between current assets and receivables can be illustrated by Karl Pearson's correlation coefficient. It is presented in the table below.

Table: 11

Computation of correlation coefficient of (r)

In order to test relationship between

Receivables to current assets

(Amount in lakhs)

Year	Current Assets (x)	Receivables (y)	X ²	Y ²	X.Y

062/63	120.00	17.13	14400	293.43	2055.60
063/64	170.20	30.40	28968.97	924.16	5174.08
064/65	233.60	55.05	54568.96	3030.50	12859.68
065/66	304.05	87.65	92446.40	7681.52	26562.33
066/67	325.31	102.52	105826.60	10510.35	33351.80
	$\sum x=1153.16$	$\sum y=292.75$	$\sum x^2=2962$	$\sum y^2=22440.99$	$\sum xy=80003.49$

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 80003.49 - (1154.17 \times 292.75)}{\sqrt{5 \times 296818.70 - (1154.17)^2} \times \sqrt{5 \times 22440.09 - (292.75)^2}} \\
 &= \frac{62134.18}{389.91 \times 162.78} \\
 &= 0.9789
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{5}} \\
 &= \frac{0.6745\{1-(0.9789)^2\}}{\sqrt{5}} \\
 &= 0.1257
 \end{aligned}$$

The relationship between C/A to receivables is positive. But it is significant that r is six time greater then p_e.

4.2.6 RECEIVABLES TO TOTAL ASSETS

Receivables are the amount due with customers. The receivables should be maintained effectively and efficient in this competitive age, company should be optimum. So, higher degree of receivables results unnecessarily holding up of working capital and lower degree of receivables may cause negative results in sales level. The following table should highlight the ratio between receivables to total assets of J. Bs.Pvt. Ltd.

Table: 12

J.Bs. Pvt. Ltd

Analysis of receivables to total assets ratio

(Amount in lakhs)

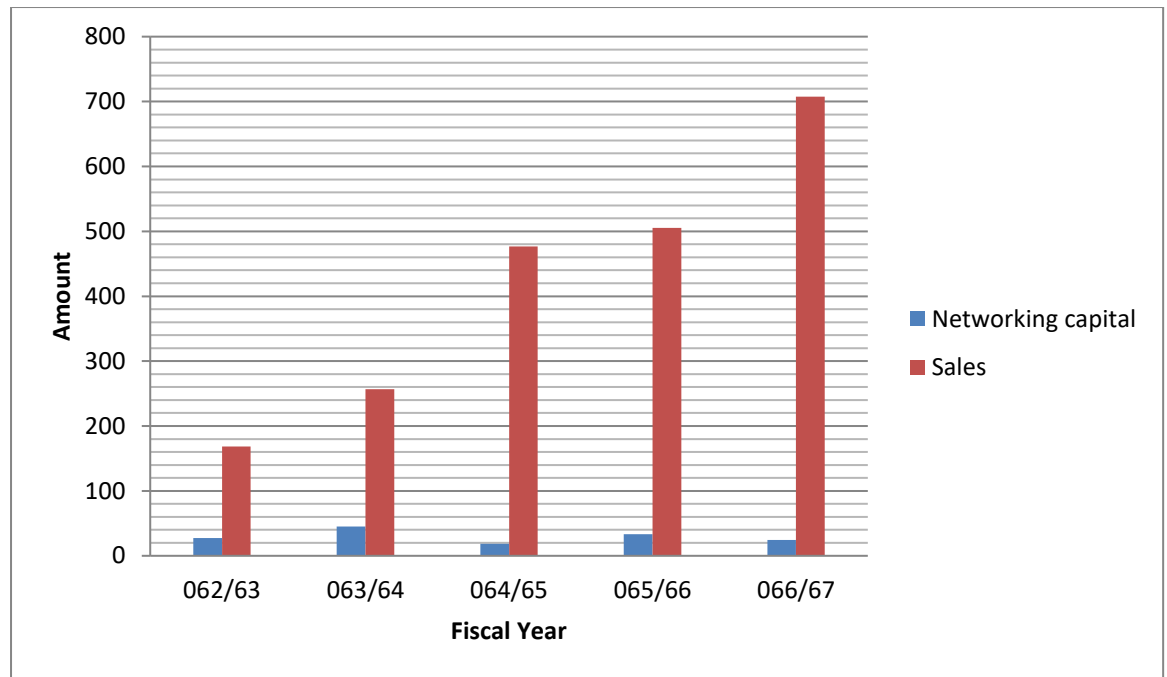
Year	Receivables	Total Assets	Ratio %	Change %
062/63	17.13	159.99	10.70	-
063/64	30.40	221.33	13.73	3.03
064/65	55.05	324.04	16.98	3.25
065/66	87.65	394.56	22.21	5.23
066/67	102.52	446.51	22.96	0.75
Total	292.75	1546.43	86.58	-
Mean	58.55		17.31	-

Source: Appendix A

The receivables to total assets ratio is in increasing trend. As we know that the ratio is 22.96 which higher in year 2066/67 and the first year of the study period, the ratio is only 10:70 which is lowest from the table. The receivables to total assets ratio is in increasing trend. So, it is concluded that the firm use the liberal and tight credit policy. It is changed due to the external environment.

It focuses on cash sales which is better to the firm to fill up the daily cash requirements.

This can be shown in the bar graph here under.



Graph 7

From this figure, we know the investment made receivables by C/A. it is increasing in coming years.

To know the relationship between receivables to total assets the Karl Pearson's correlation coefficient is calculated.

Table: 13

Computation of correlation coefficient of (r)

In order to test relationship between

Receivable of total assets

(Amount in lakhs)

Year	Total Assets(x)	Receivables (y)	X ²	Y ²	X.Y
062/63	159.99	17.13	596.80	293.43	2740.62
063/64	221.33	30.40	48986.96	924.16	6728.43
064/65	324.04	55.05	105001.92	3030.50	17838.40

065/66	394.56	87.65	155677.59	7681.52	34583.18
066/67	446.51	102.52	199371.18	10510.35	4608.37
	$\sum x=1546.43$	$\sum y=292.75$	$\sum x^2=534634.45$	$\sum y^2=22440.99$	$\sum xy=107974.39$

Source: Appendix A

We know,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 107974.39 - (1546.43 \times 292.75)}{\sqrt{5 \times 534634.45 - (1546.43)^2} \times \sqrt{5 \times 22440.99 - (292.75)^2}} \\
 &= \frac{87154.56}{530.77 \times 162.78} \\
 &= 1.0087
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745\{1-(1.0087)^2\}}{\sqrt{5}} \\
 &= -0.0052
 \end{aligned}$$

The relationship between total assets to receivable is positive. But it is significant that r is six times greater than P_e .

4.2.7 INVENTORY TO CURRENT ASSETS

Inventory is the major parts of current assets. It is so, much important for manufacturing industry like J.Bs. Pvt. Ltd. The inventory should not be higher because higher inventory empies the lower sales. The inventory should be made as per the requirement. The ratio between inventories to current assets is presented below to understand clearly the investment in inventory by. J.Bs. Pvt. Ltd.

Table: 14

J.Bs. Pvt. Ltd.

Inventory to current assets ratio

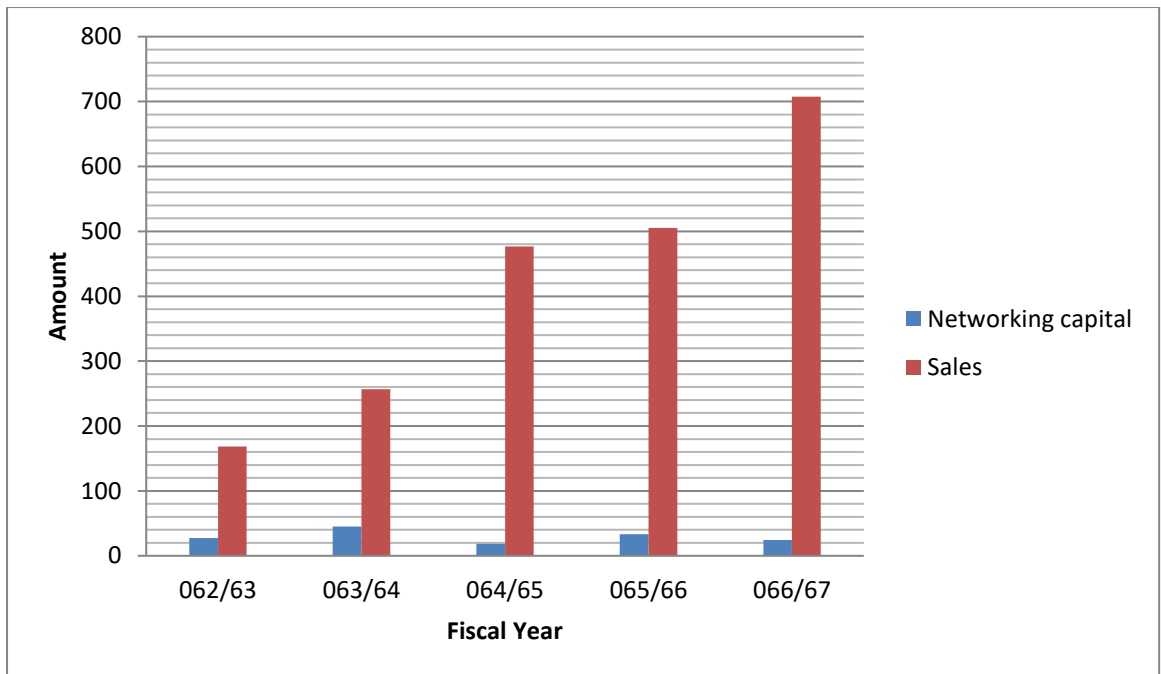
(Amount in lakhs)

year	Current Assets	Inventory	Ratio (%)	Change (%)
062/63	120.00	99.26	82.71	-
063/64	170.20	123.28	72.43	(10.28)
064/65	233.60	168.76	72.24	(0.19)
065/66	304.05	209.83	68.78	(3.46)
066/67	325.31	198.90	61.14	(7.6)
Total	1154.17	800.03	357.30	
Average	230.83	160.00	178.65	-

Sources: Appendix A

The above table shows the percentage of inventory with respect to C/A. In the fiscal years 2062/63 is 82.713 high is highest where as 61.14% in year 2062/63 is lower. The ratio is in decreasing trend. Some time the firm use liberal policy. The companies apply tight inventory policy. Tight inventory can be seen in the year 2066/67 on which the ratio is only 61.14% which is low in comparison with other years of study period.

This can be shown in the bar graph here under:



Graph 8

These bar graphs show the share of investment of the firm on inventories from C/A. It shows that heavies investment on inventory in the year 2065/66 and lowest investment in the year 2063/64. It is in increasing trend. 5th year 2066/67 is decreasing inventory. Therefore increasing investment on inventory shows the decreasing in the total assets and otherwise vice versa.

In order to test the relationship between current assets and inventory of J.Bs. Pvt. Ltd during the study period, Karl person's correlation coefficient is calculated below.

Table: 15

Computation of correlation coefficient (r)

In order to test relationship between

Inventory to current assets

(Amount in lakhs)

Year	Current Assets (x)	Inventory (y)	X ²	Y ²	X.Y
062/63	120.00	99.26	14400	9852.55	11911.20
063/64	170.20	123.28	28968.97	15197.96	20982.26
064/65	233.60	168.76	54568.96	28479.94	39422.34
065/66	304.05	209.83	92446.40	44028.63	64008.64
066/67	325.31	198.90	105826.60	39561.21	64706.15
	Σx=1153.16	Σy=800.03	Σx ² =2962	Σy ² =137120.29	Σxy=201030.59

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 201030.59 - (1154.17 \times 800.03)}{\sqrt{5 \times 296828.70 - (1154.17)^2} \times \sqrt{5 \times 137120 - (800.03)^2}} \\
 &= \frac{81470.69}{\sqrt{152035.11} \times \sqrt{45119.91}} \\
 &= \frac{81470.69}{389.92 \times 212.41} \\
 &= 0.9838
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{.6745(1-0.9838^2)}{\sqrt{5}} = 0.0097
 \end{aligned}$$

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

4.2.8 INVENTORY TO TOTAL ASSETS

Inventory in the major C/A of the firm for the factory as J.Bs.Pvt.Ltd. must give importance to the inventory. The requirement amount of inventory should keep which can maintain good relation to the customers if the stock is increased, it creates problems to the factory to keep it and lower inventory cannot fulfill the demand of the customers at heavy demand. So it should be optimum for which the firm can use different models for optimum inventory management model for this purpose.

J.Bs. Pvt. Ltd.

Inventory to total assets ratio

(Amount in lakhs)

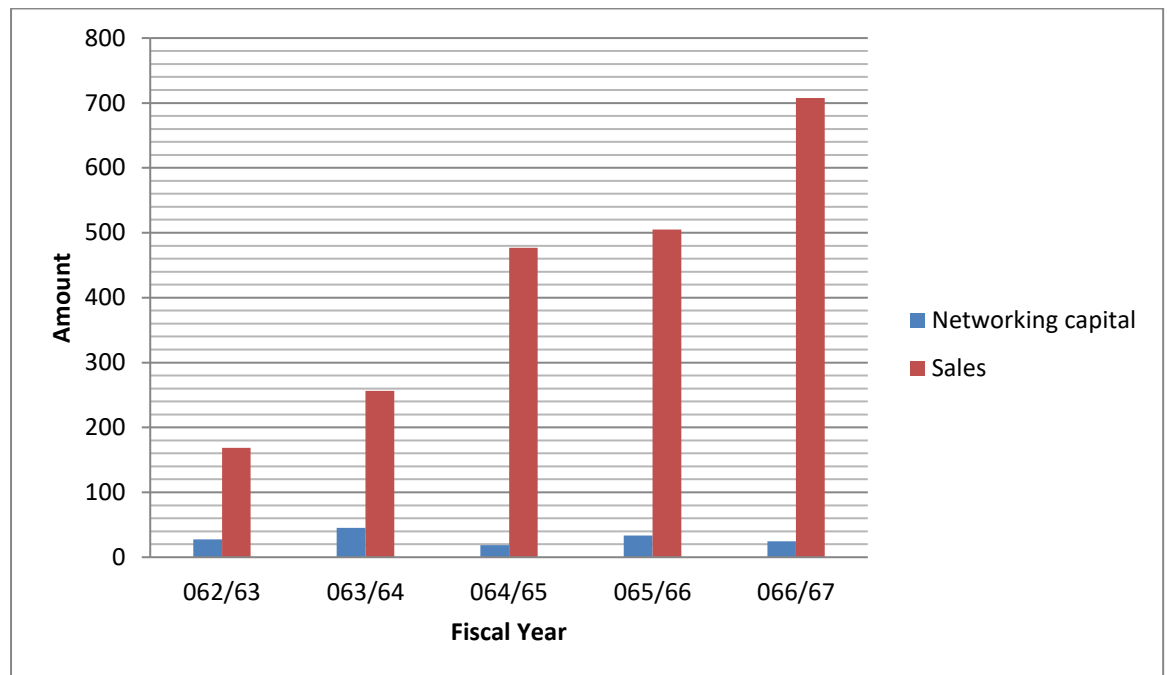
year	Inventory	Total Assets	Ratio %	Change %
062/63	99.26	159.99	62.04	-
063/64	123.28	221.33	55.69	(6.35)
064/65	168.76	324.04	52.56	(3.13)
065/66	209.83	394.56	53.18	0.62
066/67	198.90	446.51	44.54	(8.64)
Total	800.03	1546.43	268.01	-
Average	160.00	309.28	53.60	-

Sources: Audited Balance Sheet of J.Bs. Pvt. Ltd.

Table: 16

Total above table shows the apportion of investment on inventory from total assets. The ratio in the year 2062/63 is highest and the year 2066/67 is lowest which only 44.45% is. In this way, the factory is investing more on inventory. So the factory is not maintaining the efficient management of inventory. In this way the factory is not able to maintain effective management of inventory. So it should understand it and take corrective action.

This can be shown in the bar graph here under



Graph 9

This bar graph shows the share of investment of the firm on inventories from total assets. It shows that heavier investment on inventory on the year 2065/66 and lowest investment in the year 2062/63. It is in increasing trend. Increasing investment on inventory shows the decreasing in the total sales.

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

Table: 17
Computation of correlation coefficient (r)
Inventory to total assets

(Amount in lakhs)

year	Inventory (x ²)	Total Assets(y)	x.y	x ²	y ²
062/63	99.26	159.99	15880.60	9852.54	25596.80
063/64	123.28	221.33	27285.56	15197.95	48986.96
064/65	168.76	324.04	54178.71	28479.93	103066.68
065/66	209.83	394.56	82790.52	44028.62	155677.59
066/67	198.90	446.51	88810.89	39561.21	199371.18
	∑x=800.03	∑y=1546.43	∑xy=8509.65	∑x ² =137120 .25	∑y ² =532699.21

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 268946.22 - 800.03 \times 1546.43}{\sqrt{5 \times 137120.25 - (800.03)^2} \times \sqrt{5 \times 532699.21 - (1546.43)^2}} \\
 &= \frac{107540.70}{\sqrt{45553.24} \times \sqrt{272050.30}} \\
 &= \frac{107540.70}{213.43 \times 521.58} \\
 &= 0.9660
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745\{1-(1-0.9660)^2\}}{\sqrt{5}} = 0.020
 \end{aligned}$$

The relationship between inventory to total assets is significant because r is six times greater than p_e.

4.2.9 ANALYSIS OF NETWORKING CAPITAL AND WORKING CAPITAL FINANCING

Networking capital means the different between current assets and current liabilities. To know the working capital of J.Bs. Pvt. Ltd can present in the table no 18.

Table: 18

J.Bs. Pvt. Ltd.

Analysis of networking capital of working capital financing

(Amount in lakhs)

year	Current assets(A)	Current Liabilities(B)	Networking Capital (A-B)
2062/63	120.00	92.59	27.41
2063/64	170.20	124.87	45.33
2064/65	233.60	214.86	18.74
2065/66	305.05	271.52	33.53
2066/67	325.32	300.81	24.51

Sources: Appendix A

Networking capital of J.Bs. Pvt. Ltd is in fluctuation trend. Its current liabilities is not increased as proportional change in C/A. since this firm buy goods on cash this shows that risk is avoided by the firm. The networking capital can be financed by the firm in a profitable investment and increase its profitability.

4.3 LIQUADITY POSITION

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

and current liabilities. Excess of liquidity is not danger for the firm or the very high liquidity cannot mobilize the resource properly due its idle assets (liquidity) can earn nothing. It should maximum as possible to meet its current obligations. So the studies focus the liquidity position of J.Bs. Pvt. Ltd to know the liquidity with the help of financial and statically tools. Some liquidity measures are presented below.

4.3.1 CURRENT ASSETS

Current ratio is used to measure the liquidity of the firm. It is also defined as the ratio between C/A and current liabilities. The current ratio is J.Bs. Pvt. Ltd. is presented below.

Table: 19

J.Bs. Pvt. Ltd

Current assets to current liabilities

(Amount in lakhs)

year	Current assets(A)	Current Liabilities	Ratio
2062/63	120.00	92.59	1.2960
2063/64	170.20	124.87	1.3630
2064/65	233.60	214.86	1.0872
2065/66	305.05	271.52	1.1234
2066/67	325.32	300.81	1.0814
Total	1154.17	1004.65	5.9510
Average	230.83	200.93	1.1902

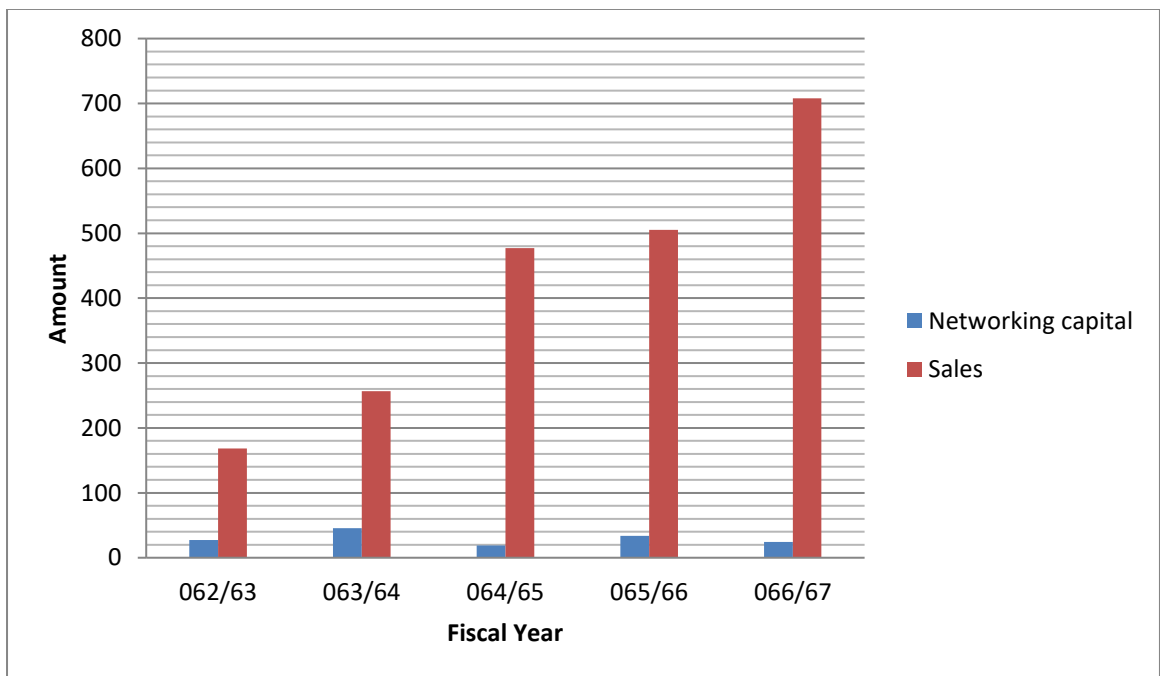
Sources: audited balance sheet of J.Bs. Pvt. Ltd.

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

Current ratio 2:1 is said to be optimal. It measures rupees of C/A should be available for a rupee of current liability. It is also says that if the current ratio of the firm is less then 2:1, the liquidity of the firm is not efficient. If it is more the 2:1, than the firm has invested more is C/A. idle current assets due not product more return which block the profitability of firm.

From the table 19, in the first year to last year the firm can not maintain liquidity which is not favorable for the firm. That is why excess. C/A investment was made. Large money is blocked so it is not better for the firm. In other fiscal year the ratio is a little but higher than standard level.

This can be shown in the bar graph below:



Graph 10

Above bare graph shows that the firm has excessive C/A, it should be managed in better way in coming year.

To test the relationship current assets and current liabilities of J.Bs. Pvt. Ltd Karl Pearson’s correlation coefficient is calculated.

Table: 20
Computation of correlation coefficient (r) of
Current assets to current liabilities

(Amount in lakhs)

year	Current Assets (x)	Current Liabilities(y)	x.y	x ²	y ²
062/63	120.00	92.59	11110.80	14400	8572.90
063/64	170.20	124.87	21252.87	28968	15592.51
064/65	233.60	214.86	50191.29	54569	46164.81
065/66	305.05	271.52	82827.17	93058.60	73723.11
066/67	325.32	300.81	97859.50	105833.10	90486.65
	Σx=1154.17	Σy=1004.65	Σxy=263241. 63	Σx ² =296828 .70	Σy ² =234539.98

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{(5 \times 263241.63) - (1154.17 \times 1004.65)}{\sqrt{5 \times 296828.70 - (1154.17)^2} \times \sqrt{5 \times 234539.98 - (1004.65)^2}} \\
 &= \frac{156671.25}{389.91 \times 404.20} \\
 &= 0.9941
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{.6745(1-0.9941)^2}{\sqrt{5}} \\
 &= 0.0035
 \end{aligned}$$

This shows that correlation coefficient is positive and perfectly correlated. Where as r is six times greater than p_e. So the relationship is significant.

4.3.2 QUICK /ACID TEST RATIO

Quick ratio is also calculated to know the liquidity of any firm. It measures the capacity of a firm to pay current liability immediately. It is also a measurement of companies' ability to convert C/A quickly into cash to meet current liabilities. Quick assets include all items excluding inventory and prepaid expenses. Its standard is 1:1. It means that a rupee of quick liability should be equal a rupee of quick assets. The quick ratio of J.Bs. Pvt. Ltd during five year period is presented in table no. 21 below.

Table: 21

J.Bs. Pvt. Ltd

Quick assets to current liabilities ratio

(Amount in Lakhs)

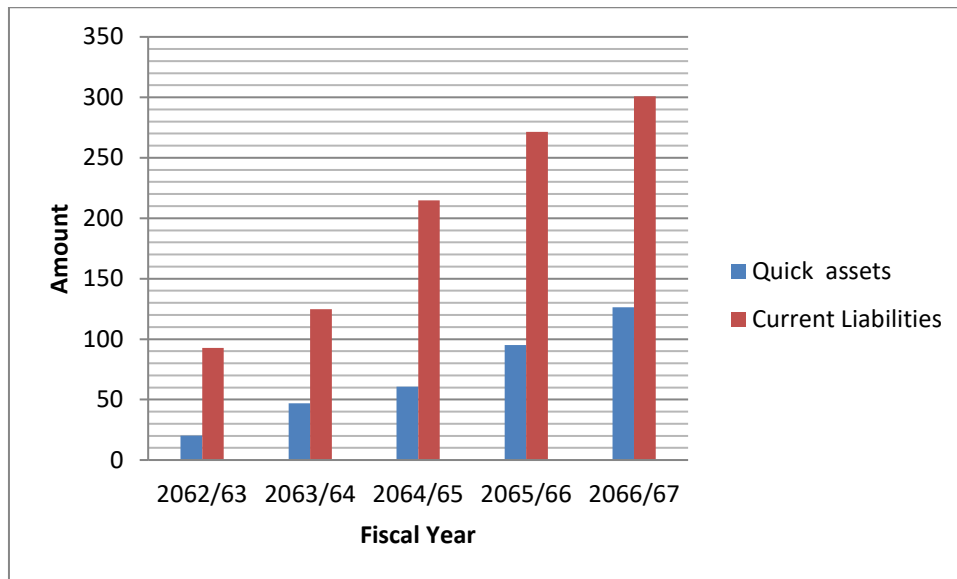
year	Quick assets	Current Liabilities	Ratio
2062/63	20.07	92.59	0.2167
2063/64	46.91	124.87	0.3756
2064/65	60.61	214.86	0.2820
2065/66	95.21	271.52	0.3506
2066/67	126.41	300.81	0.4203
Total	349.21	1004.65	1.6506
Average	69.84	200.93	0.3301

Sources: Appendix A

From above table, the quick ratio of J.Bs. Pvt. Ltd. is not satisfactory. The ratio is in fluctuating trend because of the fluctuation in quick assets. Previous four years the firm is able to meet its obligation in

which the ratio is 0.2167 but its standard is 1:1 so the management should take step to reduce inventory and maintain its standard 1:1.

This can be shown in the bar graph below.



Graph 11

Above bar graph shows that the investment of the firm on quick assets and current liabilities. To know the relationship Karl Pearson's correlation coefficient should be calculated.

Table: 22

**Computation of correlation coefficient (r) of
Quick assets to current liabilities**

(Amount in lakhs)

year	Quick Assets (x)	Current Liabilities(y)	x.y	x ²	y ²
062/63	20.07	92.59	1858.28	402.80	8572.90
063/64	46.91	124.87	5857.65	2200.54	15592.51
064/65	60.61	214.86	13022.66	3673.57	46164.81
065/66	95.21	271.52	25851.41	9064.94	73723.11
066/67	126.41	300.81	38025.39	15979.48	90486.65
	$\sum x=349.21$	$\sum y=1004.65$	$\sum xy=84615.3$	$\sum x^2=31321.$	$\sum y^2=234539.98$

			9	33	
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Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 84615.39 - (349.21 \times 1004.65)}{\sqrt{5 \times 31321.33 - (349.21)^2} \times \sqrt{5 \times 234539.98 - (1004.65)^2}} \\
 &= \frac{72243.12}{186.16 \times 404.20} \\
 &= 0.9600
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{.6745(1-0.966^2)}{\sqrt{5}} \\
 &= 0.0236
 \end{aligned}$$

The relationship between quick assets and current liabilities is greater than P_e . So there is correlation quick assets and current liabilities.

4.4 ACTIVITY RATIO/TURNOVER RATIO

Turnover ratio is calculated to know the inventory position, debtors turnover, average collection period fixed assets turnover ratio and total assets turnover ratio.

4.1.1. INVENTORY TURNOVER RATIO

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

It measures the velocity of conversation of stock into sales. A high ratio indicated efficient management of inventory because more frequently the stocks are called the lesser amount capital is require to

finance the inventory. The lower ratio indicates the heavier amount of inventory. So the firm finance more to hold the inventory.

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

Table: 23

J.Bs. Pvt Ltd.

Inventory to total assets ratio

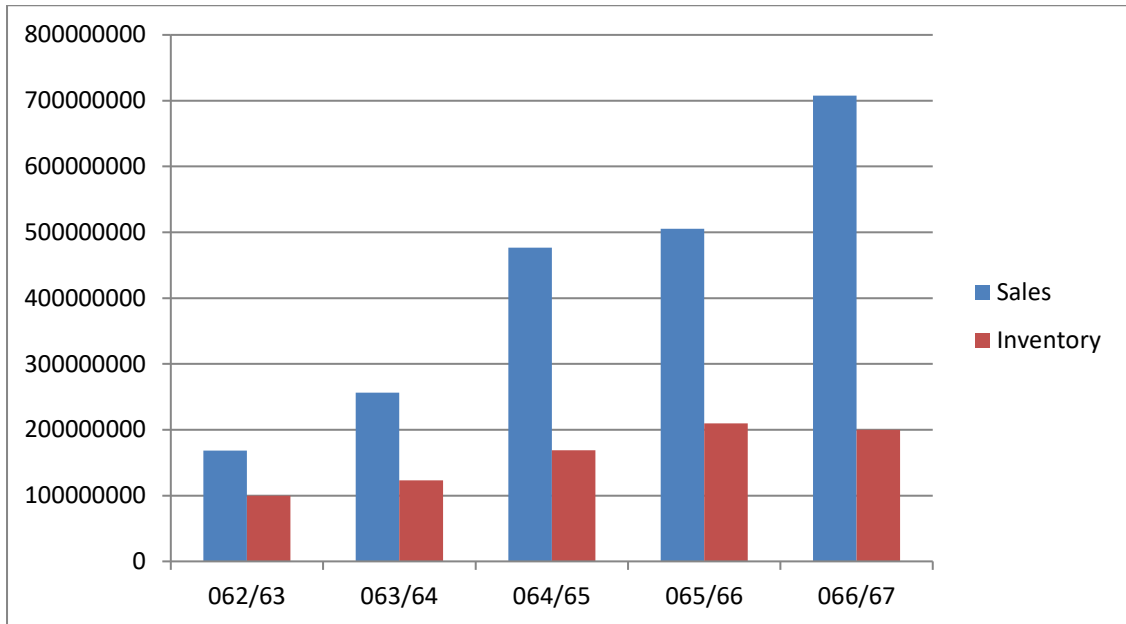
(Amount in lakhs)

year	Inventory	Sales	Ratio %	Change %
062/63	99.26	168.45	59.31	-
063/64	123.28	256.60	48.04	(11.27)
064/65	168.76	476.89	35.38	(12.66)
065/66	209.83	505.18	41.53	6.150
066/67	198.90	707.73	28.24	(13.29)
Total	800.03	2114.85	212.50	-
Average	160.00	422.97	42.50	-

Sources: Appendix B

The inventory to sales ratio is in fluctuating trend in this table. The firm is able to manage efficiently its stock for the year 2065/66 because the ratio is in decreasing trend. The firm invest more on stock in 2066/67, where the stock turn over ratio on is low i.e. 28.24% the firm should manage the stock turnover ratio for efficient result.

This can be shows in the bar graph.



Graph 12

Above bar graph show the proportion of sales to inventory. In the year 2065/66 the inventory is higher then other years. And it is lower in the year 2062/63.

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

Table: 24

Computation of correlation coefficient (r)

Inventory to total assets

(Amount in lakhs)

year	Inventory (x ²)	Sales (y)	x.y	x ²	y ²
062/63	99.26	168.45	16831.52	9852.54	28375.40
063/64	123.28	256.60	31633.64	15197.95	65843.56
064/65	168.76	476.89	80479.95	28479.93	22742.07
065/66	209.83	505.18	106001.91	44028.62	225206.83
066/67	199.90	707.73	141475.22	39561.21	500881.79

	$\Sigma x=801.03$	$\Sigma y=2114.85$	$\Sigma xy=376422.24$	$\Sigma x^2=137120.25$	$\Sigma y^2=1077731.61$
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Sources: Appendix A

We know that,

$$\begin{aligned}
 r &= \frac{N\Sigma xy - \Sigma x \Sigma y}{\sqrt{N\Sigma x^2 - (\Sigma x)^2} \times \sqrt{N\Sigma y^2 - (\Sigma y)^2}} \\
 &= \frac{5 \times 376422.24 - (801.69 \times 2114.85)}{\sqrt{5 \times 137650.51 - (801.69)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{186657.10}{213.41 \times 957.11} \\
 &= 0.9138
 \end{aligned}$$

Where as,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{.6745(1-0.9138^2)}{\sqrt{5}} \\
 &= 0.0496
 \end{aligned}$$

The relationship between sales and inventory is positive, where as P_e , is six time lesses than r . so the relationship is significant.

4.4.2. DEBTORS TO TOTAL SALES RATIO

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

It indicates the number of times the debtors are turn over during the year. Higher value of its turnover the more efficient management of debtors is J.Bs. Pvt. Ltd the table is presented below in table-25.

Table: 25
J.Bs. Pvt Ltd
Debtors to total assets ratio

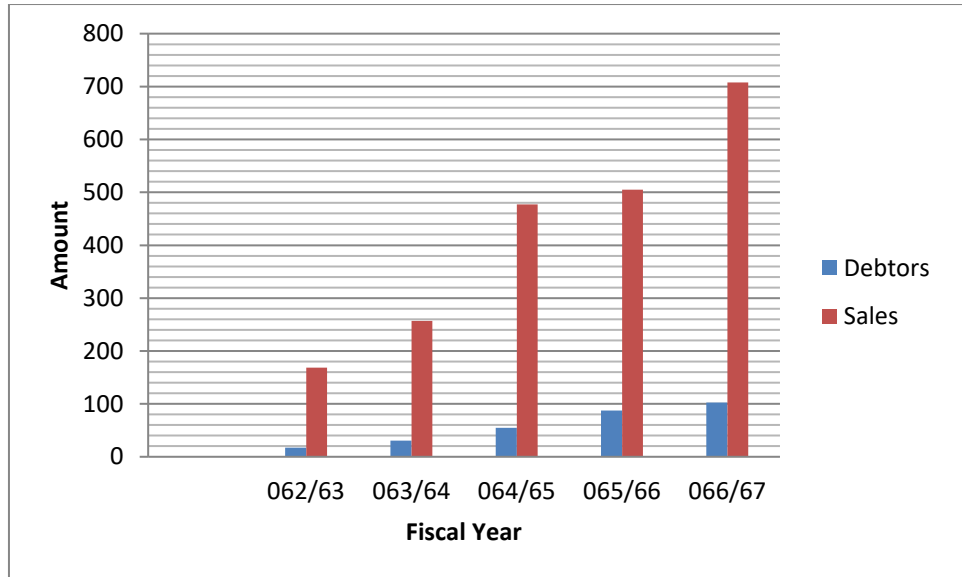
(Amount in lakhs)

year	Debtors	Sales	Ratio %	Change %
062/63	17.13	168.45	10.16	-
063/64	30.40	256.60	11.84	1.68
064/65	55.05	476.89	11.54	(0.30)
065/66	87.65	505.18	17.35	5.81
066/67	102.52	707.73	14.48	(2.87)
Total	292.75	2114.85	65.37	-
Average	58.55	422.97	13.07	-

Sources: Appendix B

The debtor's ratio is fluctuating in trend. So, the firm change in management of debtors.

This can be shown in the bar graph as below.



Graph 13

The above bar graph shows the amount of debtors and sales. From these figures sales are increasing in all the study period but decrease in the last year 2066/67, as well as the debtors are increasing up to the year 2065/66.

Table: 26

The relationship between debtors and sales can be shown by the Karl Pearson's correlation coefficient

(Amount in Lakhs)

years	Debtors (x)	Sales (y)	x.y	x ²	y ²
062/ 63	17.13	168.45	2885.54	293.43	28375.40
063/ 64	30.40	256.60	7800.64	924.16	28375.40
064/ 65	55.05	476.89	26252.79	3030.50	65843.56
065/ 66	87.65	505.18	44279.02	7682.52	227424.07

066/ 67	102.52	707.73	72556.47	10510.35	500881.75
	$\sum x=292.75$	$\sum y=2114.85$	$\sum xy=153774.46$	$\sum x^2=22440.96$	$\sum y^2=1077731.61$

Sources: Appendix A

We know,

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 153774.46 - (292.75 \times 2114.85)}{\sqrt{5 \times 22440.96 - (292.75)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{149749.96}{162.79 \times 957.11} \\
 &= 0.9611
 \end{aligned}$$

Where is,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745(1-0.9611^2)}{\sqrt{5}} \\
 &= 0.229
 \end{aligned}$$

The relationship between sales and inventory is positive, where is p_e is six time lesser than r . So the relationship is significant.

4.4.3 AVERAGE COLLECTION PERIOD

Average collection period is calculated to know the average no 07 days for which a firm has to wait before trade debtors are charged into cash. The average collection period of J.Bs. Pvt. Ltd. Is presented below.

Table: 27

J.Bs. Pvt. Ltd.

Calculation of Average Collection Period

(Amount in Lakhs)

Fiscal Years	Days in a year	DTR	Average collection period (in days)
--------------	----------------	-----	-------------------------------------

062/63	360	0.1016	3543
063/64	360	0.1184	3041
064/65	360	0.1154	3119
065/66	360	0.1735	2075
066/67	360	0.1448	2486

Sources: Appendix A

The collection period of J.Bs. Pvt. Ltd. Is increasing and decreasing trend. So, it shows the more risk and delay in its collection. So, the factory should manage it properly by reducing collection period. It is a bit lower in year 2065/66 but it is decreasing upto the year 2063/64 from the 2062/63.

4.4.4 FIXED ASSETS TURNOVER RATIO

The fixed assets turnover ratio implies the extant to which the investment in fixed assets contribution towards sales. It measures the efficiency with which the firm is utilizing its investment in fixed assets. In other words, it also indicates that the adequacy of sales in relation to the investment in fixed assets. To know to fixed assets turnover ratio of J.Bs. Pvt. Ltd. Is presented in table no. 28.

J.Bs. Pvt. Ltd.

Fixed Assets to Sales Ratio

(Amount in Lakhs)

Fiscal Years	Fixed assets	Sales	Ratio
062/63	39.99	168.45	4.21
063/64	51.13	256.60	5.02
064/65	90.43	476.89	5.27
065/66	89.50	505.18	5.64

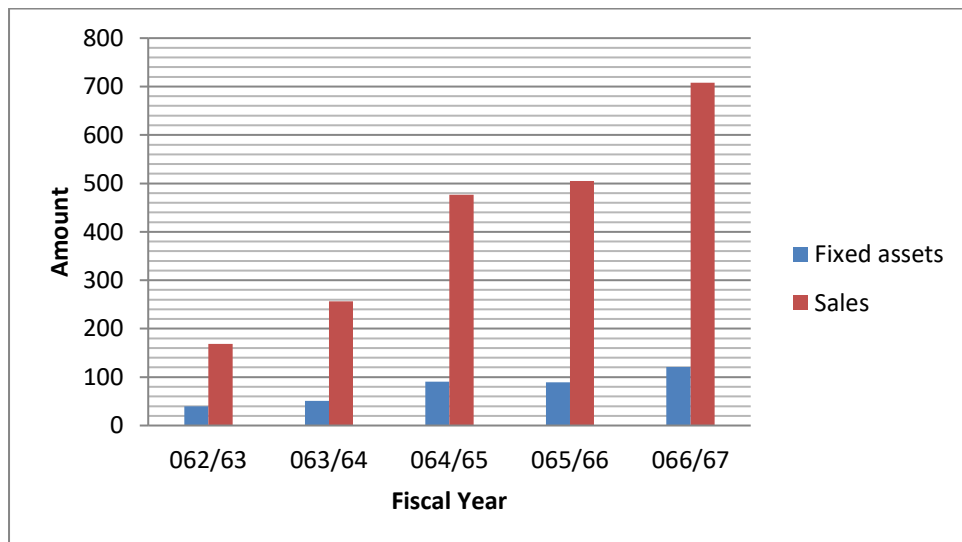
066/67	121.19	707.73	5.83
Total	392.24	2114.85	25.97
Average	78.44	422.97	5.19

Sources: Audited Balance Sheet and P/L account of J.Bs. Pvt. Ltd.

Table: 28

The fixed assets turnover ratio is increasing trend. There for the firm is not efficiently utilined the available fixed assets.

This can be shown in the bar graph as below.



Graph 14

The above graph shows the fixed assets and sales. The sales is very high in comparing with fixed assets. The investment in fixes assets in increasing trend. It shows the firm is investing more on C/A. The sales is increasing trend.

To know the relationship between fixed assets and sales, Karl Pearson's correlation coefficient is calculated in table 29 below.

Table: 29
Computation of correlation coefficient (r)
Fixed assets to sales

(Amount in Lakhs)

years	FA (x)	Sales (y)	x.y	x ²	y ²
062/63	39.99	168.45	6736.31	1599.20	28375.40
063/64	51.13	256.60	13119.95	2614.27	65843.56
064/65	90.43	476.89	43125.16	1877.58	227424.07
065/66	89.50	505.18	45213.61	8010.25	255206.83
066/67	121.19	707.73	85769.79	14687.01	500881.75
	Σx=392.24	Σy=2114.85	Σxy=193964.82	Σx ² =32735.31	Σy ² =1077731.61

Sources: Appendix A

We know that,

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 193964.82 - (392.24 \times 2114.85)}{\sqrt{5 \times 32735.31 - (392.24)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{140295.33}{99.11 \times 957.11} \\
 &= 1.4789
 \end{aligned}$$

$$P_e = \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-1.4789^2)}{\sqrt{5}} = -0.3574$$

Therefore the P_e is less than r . So, the relation is existed as between fixed assets to sales. As positive between fixed assets to sales.

4.4.5. NETWORKING CAPITAL TURNOVER RATIO

Networking capital means the total current assets minus current liabilities. It measures the velocity of the number of times the working

capital is know the efficiency of working capital of J.Bs Pvt. Ltd. is analyzed by the following table during the study period.

Table: 30

J.Bs. Pvt. Ltd.

Networking capital to sales ratio

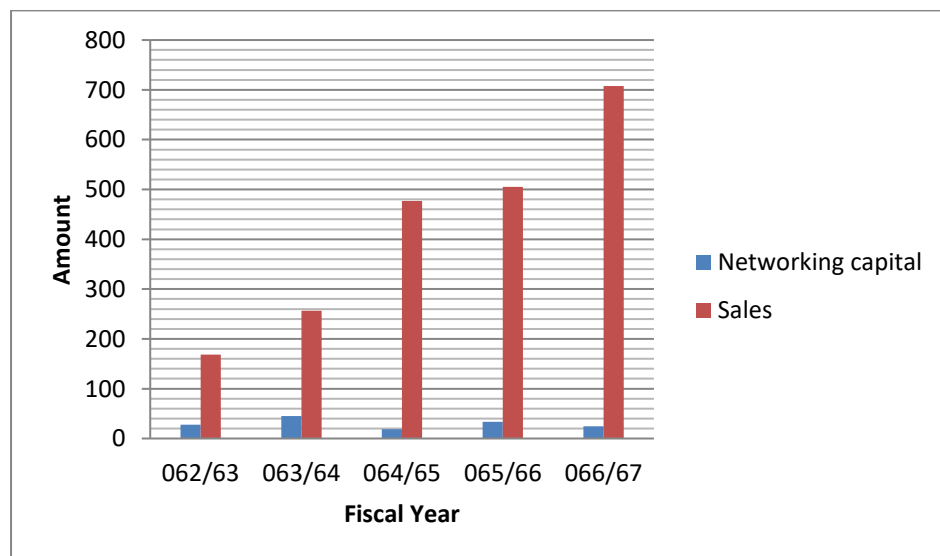
(Amount in Lakhs)

Years	Networking capital	Sales	Ratio
062/63	27.41	168.45	6.14
063/64	45.33	256.60	5.66
064/65	18.74	476.89	25.44
065/66	33.53	505.18	15.06
066/67	24.51	707.73	28.87
Total	149.52	2114.85	81.17
Average	29.90	422.97	16.23

Sources: Appendix A

The above table shows the networking capital turnover in the fiscal year 2066/67 is increasing and decreased in the year 063/64.

This can be shown in the bar graph below.



Graph -15

The above graph shows the net working capital comparing with sales. The networking capital increasing in year 2066/67 and decreasing in year 2063/64. The networking capital is fluctuating trend.

To test the relationship between sales and networking capital Karl Pearson's correlation coefficient is computed in table no. 31.

Table: 31
Computation of correlation coefficient (r)
Networking capital to sales

Years	Networking Capital X	Sales(Y)	X .Y	X ²	Y ²
062/63	27.41	168.45	4617.21	751.30	28375.40
063/64	45.33	256.60	11631.91	2054.80	65843.56
064/65	18.74	476.89	8936.91	351.18	227424.07
065/66	33.53	505.18	16938.68	1124.26	255206.83
066/67	24.51	707.73	17346.46	600.74	500881.75
	Σx= 149.52	Σy= 2114.85	Σxy= 59470.93	Σx ² = 4882.28	Σy ² = 1077731.61

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 59470.93 - (149.52 \times 2114.85)}{\sqrt{5 \times 4882.28 - (149.52)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{-1857.72}{45.33 \times 957.11} \\
 &= -0.4346
 \end{aligned}$$

Where is,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745\{1 - (-0.4346^2)\}}{\sqrt{5}} \\
 &= 0.2442
 \end{aligned}$$

The relationship between networking capital and sales is negative, therefore non significant between networking capital and sales, where as pc is six times greater than r.

4.4.6. TOTAL ASSETS TURNOVERRATIO

Total assets turnover ratio indicates the relation between total assets to sales. The total assets includes C/A, fixed and inarguable assets less depn and written off expresses. Higher ratio indicates the proper utilization of available assets. It also from the total financial resources available to the firm. Idle assets leads to lower assets.

The ratio of total assets to sales of J.Bs. Pvt.Ltd is presented below in table 32.

Table: 32

J.Bs. Pvt. Ltd

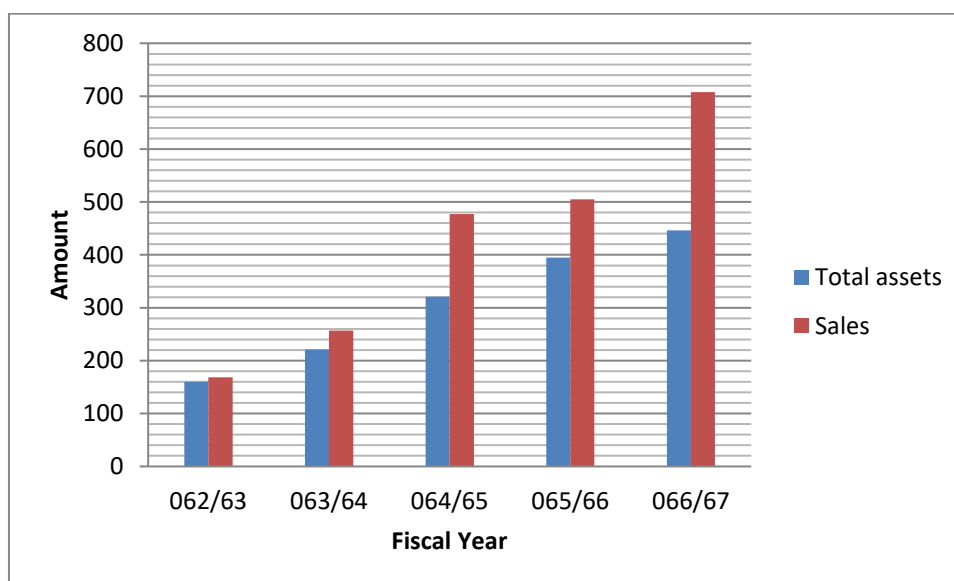
Total assets to sales ratio (Amount in lakhs)

Years	Total assets	Sales	Ratio
062/63	159.99	168.45	1.05
063/64	221.33	256.60	1.16
064/65	321.04	476.89	1.48
065/66	394.56	505.18	1.28
066/67	446.51	707.73	1.59
Total	154.43	2114.85	6.55
Average	309.28	422.97	1.31

Sources: Appendix A

From above calculation the firm is able to maintain its assets turn over ratio in first three years. Then after the firm fails to manage efficiency its assets that is it fails to use assets properly.

This can be shown in the bar graph as below:



Graph-16

The graph is shown to know the proportion of total assets and sales. The total assets is an increasing in trend from the year 2062/63 to 2064/65 but sales is increasing up to first four and decreases in second last proportion of sales is very high in comparing with other years of study period.

Table: 33

The know the relation coefficient (r) in order to test relationship between total assets and sales.

(Amount in lakhs)

Years	Total Assets (X)	Sales (Y)	X .Y	X ²	Y ²
062/63	159.99	168.45	26950.31	25596.80	28375.40
063/64	221.33	256.60	56793.27	48986.96	65843.56
064/65	321.04	476.89	153100.76	103066.68	227424.07

065/66	394.56	505.18	199323.82	155677.59	255206.83
066/67	446.51	707.73	3160085.52	199371.18	500881.75
	$\sum x =$ 1546.43	$\sum y =$ 2114.85	$\sum xy =$ 752176.68	$\sum x^2 =$ 532699.21	$\sum y^2 =$ 1077731.61

Sources: Appendix A

We know that,

$$\begin{aligned}
 r &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 752176.68 - (1546.43 \times 2114.85)}{\sqrt{5 \times 532699.21 - (1546.43)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{490415.91.91}{1624.50 \times 957.11} \\
 &= -0.3154
 \end{aligned}$$

Where is,

$$\begin{aligned}
 P_e &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745(1-0.3154^2)}{\sqrt{5}} \\
 &= 0.2711
 \end{aligned}$$

The relationship is positive and the value of r is greater than P_e . There is relationship but it is not greater than six times of P_e . So, the relationship is not significant.

4.4.7. CURRENT ASSETS TURNOVER/GROSS WORKING CAPITAL TURNOVER

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

Sales policy affects the production policy where as the production policy affects the financial policy. So, there should be tight coordination between the total assets, net working capital and sales. Increasing trend of sales causes the increasing trend of production and needed more inputs.

For the stock of materials there should be adequate working capital. So, working capital is also affected by sales.

The following table is presented by sales. Of J.Bs. Pvt. Ltd in current assets to sales or gross working capital turnover ratio.

Table: 34
J.Bs. Pvt. Ltd.
Current assets to sales

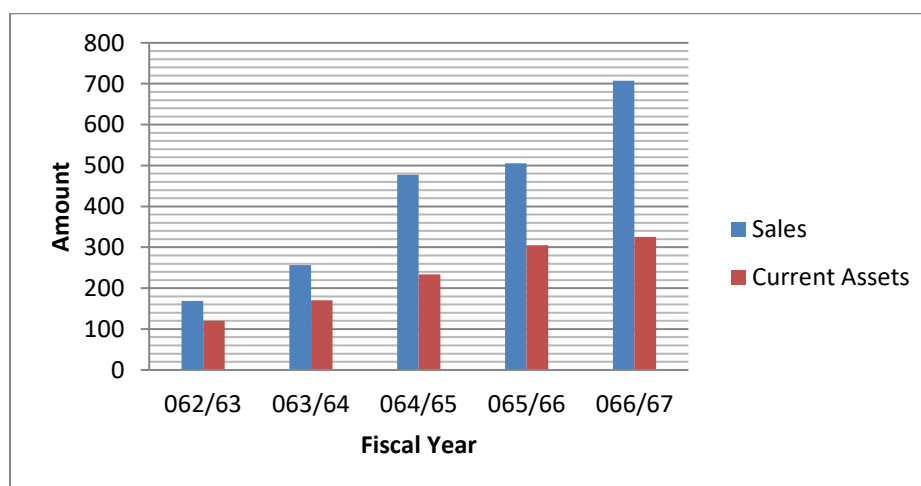
(Amount in lakhs)

Years	Sales	Current Assets	Ratio
062/63	168.45	120.00	1.40
063/64	256.60	170.20	1.50
064/65	476.89	233.60	2.040
065/66	505.18	305.05	1.65
066/67	707.73	325.32	2.17
Total	2114.85	1154.17	8.76
Average	422.97	230.83	1.75

Source: Appendix A

According to this ratio, sales are increasing in trend of study period. In the study period in year 2066/62 is the highest study period.

This can be shown in the bar graph as below



Graph-17

The above figure shows the proportion of C/A and sales. All current assets and sales of the study period are increasing trend. This company has tight credit sales policy. In the fiscal year 2066/67 the current assets and sales are higher there by the current assets and sales are lower in fiscal year 2062/63.

Now, we test the relation between C/A and sales Karl Pearson's correlation coefficient is computed below.

Table: 35

Computation of correlation coefficient (r) of current assets to sales.

(Amount in lakhs)

Years	CA (X)	Sales (Y)	X .Y	X ²	Y ²
062/63	120.00	168.45	20214.00	14400	28375.40
063/64	170.20	256.60	43673.32	28968	65843.56
064/65	233.60	476.89	111401.50	54569	227424.07
065/66	305.05	505.18	154105.15	93058.60	255206.83
066/67	325.32	707.73	230238.72	105833.10	500881.75
	∑x= 1154.17	∑y= 2114.85	∑xy= 559632.69	∑x ² = 296828.70	∑y ² = 1077731.61

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 559632.69 - (1154.14 \times 2114.85)}{\sqrt{5 \times 2296828.70 - (1154.14)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{357267.02}{389.92 \times 957.11} = -0.9573
 \end{aligned}$$

Where is,

$$\begin{aligned}
 Pe &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745(1-0.9573^2)}{\sqrt{5}} = 0.0251
 \end{aligned}$$

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

4.5. PROFITABILITY POSITION

Each and every company firm enterprises should be success to generated profit by handling day to day operation for the long lasting survival. Every firm is established by taking survival is established by taking the objectives of maximizing profit by the maximum utilization of available resources profitability of the firm measures the efficiency and ability of each firm to ensure the adequate return to its shareholders, ultimately depends upon the profit earned by it. To analyzed the profitability of J.Bs. industry Pvt. Ltd. gross profit ratio, net profit margin ratio return on total assets ratio, return on C/A are analyzed. During the selected five year study period.

4.5.1. GROSS PROFIT MARGIN RATIO

Gross profit margin is the profit after deduction cost of goods sold from net sells. It is calculated in percentage. In other words it is common ratio in operational analysis is the calculation of gross profit as a percentage of net sales. So, a firm has sufficient ratio to the owners. Higher the percentage indicates the better position. Table-36 is percentage below to show the gross profit margin ratio of J.Bs. Pvt. Ltd.

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

Table: 36

J.Bs. Pvt. Ltd.

Computation of Gross profit margin ratio

(Amount in lakhs)

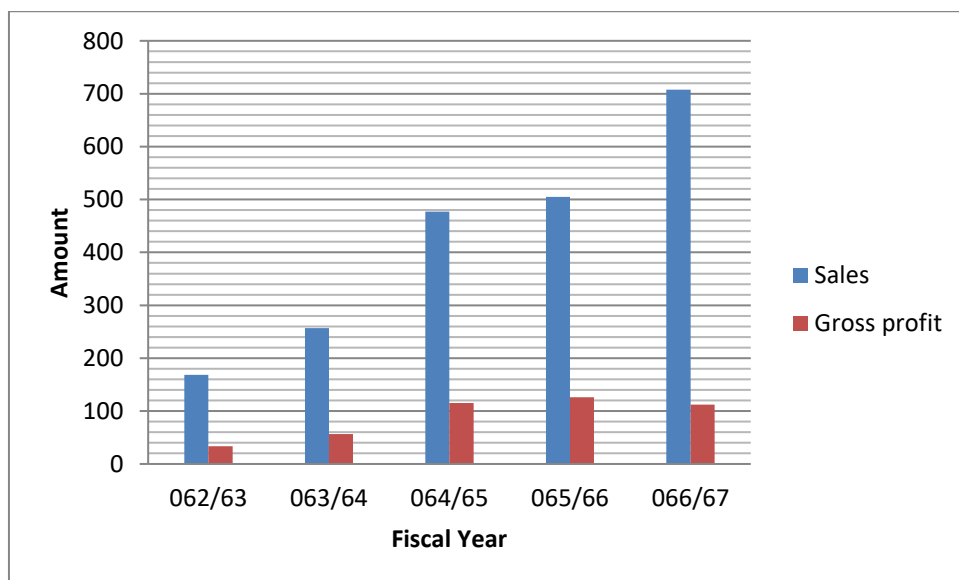
Years	Sales	Gross profit	Gross profit margin Ratio
-------	-------	--------------	---------------------------

062/63	168.45	33.68	1.40
063/64	256.60	56.70	1.50
064/65	476.89	115.02	2.040
065/66	505.18	125.84	1.65
066/67	707.73	112.42	2.17
Total	2114.85	443.66	8.76
Average	422.97	88.73	1.75

Sources: Appendix B

The gross profit margin is going to increasing on fourth year but last year 2066/67 on decrease.

This can be shown in the bar graph below.



Graph 18

The above bar graph shows the proportion of gross profit with respect to sales. When sale is increasing the gross profit is also increasing every year. Year 2066/67 sales are increasing but gross profit is decreasing. The gross profit margin ratio is not all satisfactory. Now, it is decreasing trend. It may due to high cost of production, under utilization mechanics, over staffing and lack of efficient management of other resources.

In order to test relationship between gross profit and sales of J.Bs. Pvt. Ltd. During the study period of observation, Karl Pearson's correlation coefficient is calculated in table no-37

Table-37
Computation of correlation coefficient of r
In order to test relationship between
Gross profit to sales

(Amount in lakhs)

Years	Gross Profit (x)	Sales (Y)	X .Y	X ²	Y ²
062/63	33.68	168.45	5673.39	14400	28375.40
063/64	56.70	256.60	14549.22	28968	65843.56
064/65	115.02	476.89	54851.88	54569	227424.07
065/66	125.84	505.18	63571.85	93058.60	255206.83
066/67	112.42	707.73	79563.00	105833.10	500881.75
	∑x=443.66	∑y=2114.85	∑xy=218209.34	∑x ² =296828.70	∑y ² =1077731.61

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 218209.34 - (443.66 \times 2114.85)}{\sqrt{5 \times 296828.70 - (443.66)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{152772.34}{182.83 \times 2311.38} \\
 &= -0.3615
 \end{aligned}$$

Where is,

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

$$= \frac{0.6745(1-0.3615^2)}{\sqrt{5}}$$

$$= 0.2617$$

There ratio relationship between net profit is regarded as insignificant because r is lesser then pe six times.

4.5.2. NET PROFIT MARGIN RATIO

Net profit is the profit after deducting operating expenses and income tax from gross profit. This ratio indicates the relationship between net profit after tax and sales. It indicates the management ability to operate the business with sufficient success leave a margin of reasonable. Compensation to the owner for providing their capital at risk. A high net profit margin would enable the firm to wish stand and divers economic conditions and a low margin will have opposite implications.

This ratio is calculated by dividing net profit after tax by rules. This ratio is of primary importance as profit accrues only from sales. This ratio is overall measure of the industries ability to turn is rupees of sales into net profit is obtain when operating expenses, non-operating expenses and income tax are subtracted from gross profit. The ratio of net profit to sales essentially expresses the cost price efficient of the operation.

Table: 38

J.Bs. Pvt. Ltd.

Computation of Gross profit margin ratio

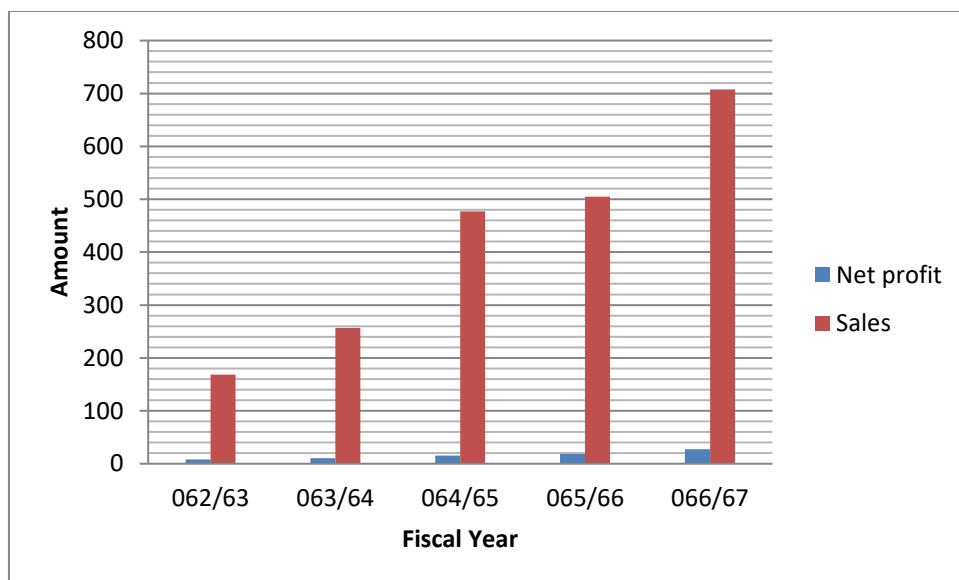
Years	Net profit	Sales	Net profit margin Ratio
062/63	7.97	168.45	1.05
063/64	10.50	256.60	1.16

064/65	15.45	476.89	1.48
065/66	18.09	505.18	1.28
066/67	27.62	707.73	1.59
Total	79.63	2114.85	6.55
Average	15.93	422.97	1.31

Sources: Appendix A

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

This can be shown in bar graph as below



Graph-19

The above bar graph shows the proportion of net profit after tax and sales. The earning after tax is higher in the year 2066/67 and in the year 2062/63, it is lower. Sales is in increasing in trend.

Table: 39

**Computation of correlation coefficient (r) of
In order to test relationship between**

Net profit to sales

(Amount in lakhs)

Years	Net Profit (X)	Sales (Y)	X .Y	X ²	Y ²
062/63	7.97	168.45	20214.00	63.52	28375.40
063/64	10.50	256.60	43673.32	110.25	65843.56
064/65	15.45	476.89	111401.50	238.70	227424.07
065/66	18.09	505.18	154105.15	327.25	255206.83
066/67	27.62	707.73	230238.72	762.86	500881.75
	$\sum x=79.63$	$\sum y=2114.85$	$\sum xy=559632.69$	$\sum x^2=1502.58$	$\sum y^2=1077731.61$

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 40091.01 - (79.63 \times 2114.85)}{\sqrt{5 \times 1502.58 - (79.63)^2} \times \sqrt{5 \times 1077731.61 - (2114.85)^2}} \\
 &= \frac{32049.54}{34.23 \times 957.11} \\
 &= -0.9783
 \end{aligned}$$

$$\begin{aligned}
 \text{Where is, } Pe &= \frac{0.6745(1-r^2)}{\sqrt{N}} = \frac{0.6745(1-0.9783^2)}{\sqrt{5}} \\
 &= 0.0129
 \end{aligned}$$

Therefore, the relationship between net profit and sales is regarded as significant because r is greater than pe by six times.

4.5.3. RETURN ON TOTAL ASSETS

It measures the overall profitability of the enterprises upon its total assets. Return on total assets indicates the relationship between earnings before interest and tax and total assets. All financial resources invested may refer to total assets or net assets. The amount employed in the net assets is known as capital employed.

Table: 40

J.Bs. Pvt. Ltd.

Computation of Return on total assets

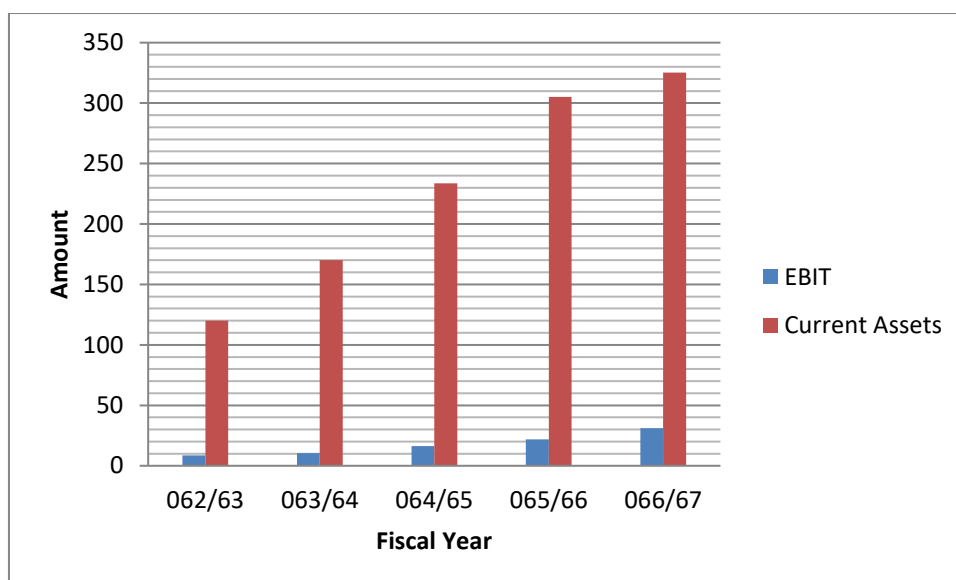
(Amount in lakhs)

Years	EBIT	Current Assets	Ratio %
062/63	8.72	120.00	7.27
063/64	10.53	170.20	6.19
064/65	16.26	233.60	6.96
065/66	21.87	305.05	7.17
066/67	31.04	325.32	9.54
Total	88.42	1154.17	37.13
Average	17.68	230.83	7.43

Sources: Appendix A

The above indicates the return of J.Bs. industry Pvt. Ltd. Limited from year 2062/63 up to 2066/67. In the year 2066/67 the ratio is highest which indicates the maximum return on current assets. But it is a little slow in the year 2063/64 and 2065/66. But it is very low which is only 6.19% in the year 2063/64. The management should manage it effectively and efficiency.

This can be shown in the bar graph as below.



Graph-20

The year bar graph shows the proportion of earning before interest and tax with represent to current assets. The current asset is heavier comparing with the earning before interest and tax from the year 2062/63 to 2066/67.

Table: 41

**Computation of correlation coefficient (r) of
In order to test relationship between
Current assets to sales**

(Amount to sales)

Years	EBIT (x)	CurrentAssets(Y)	X .Y	X ²	Y ²
062/63	8.72	120.00	1046.40	76.04	14400
063/64	10.53	170.20	1792.20	110.88	28968
064/65	13.26	233.60	54569	264.38	54569
065/66	21.87	305.05	93058.60	478.30	93058.60
066/67	31.04	325.32	105833.10	963.48	105833.10
	$\sum x=88.42$	$\sum y=1154.17$	$\sum xy=23406.31$	$\sum x^2=1893.08$	$\sum y^2=296828.7$

Sources: Appendix A

We know that,

$$\begin{aligned}
 R &= \frac{N\sum xy - \sum x \sum y}{\sqrt{N\sum x^2 - (\sum x)^2} \times \sqrt{N\sum y^2 - (\sum y)^2}} \\
 &= \frac{5 \times 23406.31 - (88.42 \times 1154.17)}{\sqrt{5 \times 1893.08 - (88.42)^2} \times \sqrt{5 \times 296828.70 - (1154.17)^2}} \\
 &= \frac{14979.84}{40.59 \times 389.92} \\
 &= -0.9465
 \end{aligned}$$

Where is,

$$\begin{aligned}
 Pe &= \frac{0.6745(1-r^2)}{\sqrt{N}} \\
 &= \frac{0.6745(1-0.9465^2)}{\sqrt{5}} \\
 &= 0.0313
 \end{aligned}$$

The relationship between profit before tax and interest and current asset is positive regarded as significant because r is greater than pe by six times.

4.6. TREND ANALYSIS

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

The following table shows the trend percentage of J.Bs. Pvt. Ltd over a difference five year period (i.e. from 2062/63 to 2066/67) the fiscal year 2062/63 is taken as bare year.

Table: 42

J.Bs. Industry Pvt. Ltd.

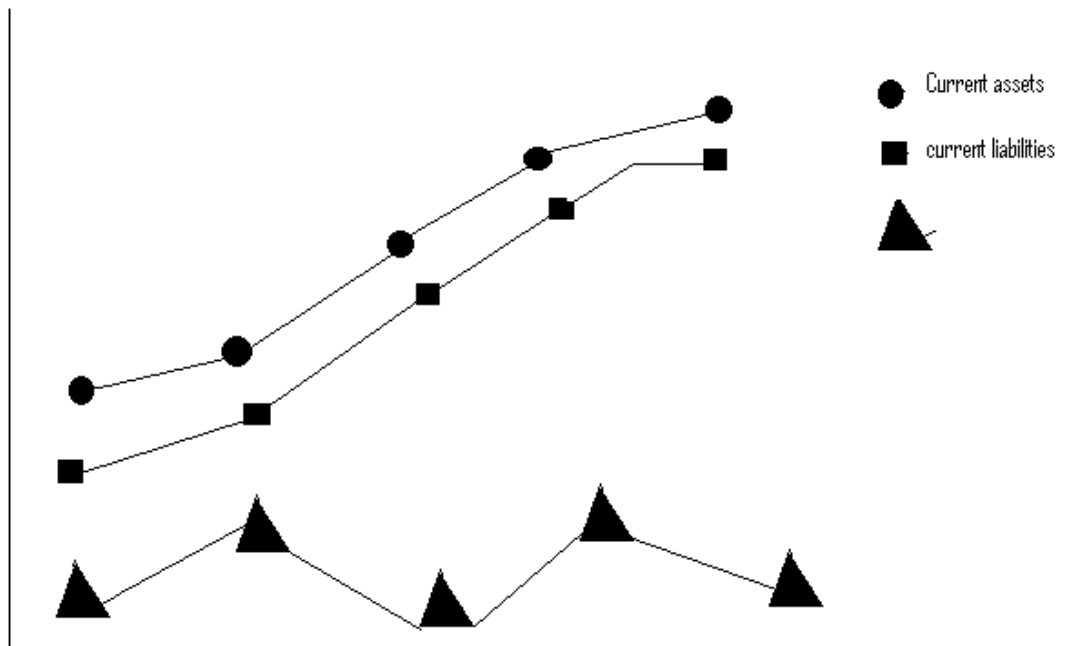
Comparative trend analysis

(Amount in lakhs)

Years	Current assets	Trend	Current liabilities	Trend	Net working capital	Trend
062/63	120.00	100	92.59	100	27.41	100
063/64	170.20	141	124.87	135	45.33	165
064/65	233.60	137	214.86	172	18.74	041
065/66	305.05	131	271.52	126	33.53	178
066/67	325.32	107	308.81	114	24.51	073
	1154.17	616	1004.65	647	149.52	557
	230.83	123.20	200.93	129.40	29.90	111.40

Sources: Appendix A

4.7.1. TREND GRAPH



Graph 21

The trend of current assets in volatile trend. The trend of bare year (i.e.2062/63) is assumed as 100% in the year of study period. It is increased of 141 in years 2063/64 and decrease in year 2064/65 to 2066/67. Which is clearly shows that the firm is unable to use the C/A properly. This situation is not favorable to the firm. So, the firm should extremely consider it.

The trend of current liabilities is not in good condition or it is in worse condition. The trend is continuously is in increasing way up to the year 2066/67. This trend shows that the firm has more and more current liabilities in this period. It also indicates that the management is not able to manage the current liabilities. But in the year of 2066/67 the trend is decreased and because 114 which mean the firm is trying to maintain its current liabilities. But, it is not sufficient and the firm needs an effective management of current liabilities.

The trend of net working capital is also in fluting trend. It,s increased and became 165, 41 are the year 2063/64 and 2064/65 respectively even the current liabilities are in increasing trend. Higher net working capital can be invested by the firm in any profitable investment opportunity. In year 2063/64 and 2065/66. the trend of net decreasing in current assets. It is decreasing and became 41 in year 2065/66 has vastly increasing and other year 2066/67 has vastly decrease it is affected by current assets.

CHAPTER V

SUMMARY C ONCULUSIONS AND RECOMMENDATIONS

5.1. Summary:-

Nepal is and under-developed, landlocked and agricultural country, where about more than 80% of the total economically active populations are engaged on agricultural for their livelihood. Industrialization is the yard stick of economic developments of progress, modernizations and social change. Therefore, it is the measure tools with the aid of which vicious circle of backwardness and poverty can be maintained. Economic development of a country can be accelerated only with the growth of rapid industrialization. In the country like Nepal, where the economy is basically agricultural based, the industrial development and substitution of import through increased domestic production. In this contract, J.Bs. Pvt. Ltd. is acting as a key element to fulfill the demand of such type of products.

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

The most important component of financial management is working capital. So, it is compared as life and nerve sector of any business organization of firms. The study has conducted up on working capital management of J.Bs. Pvt. Ltd for five years, from 2062/63 to 2066/67 to judge the management of working capital management.

The main objective of this study is to have inside overall expect of working capital management of J.Bs.Pvt.Ltd so necessary that have been collected, tabulated, interpreted depending up on the data systematically analysis, it has divided into five chapters, i.e. introduction, review of literature research methodology, presentation of data and summary, conclusion and recommendations. Focus of the study and Nepalese context, statement of the problems and terminology are discussed in first chapter.

In second chapter, reviews of related literature concerned with W/C management are presented. Natures, concept determinations, need of W/C, importance of W/C are discussed.

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

In chapter four, financial data of J.Bs. industry Pvt.Ltd. have been presented, analysis interpreted with financial as well as statistical tools and techniques.

The data used for this research project was secondary in nature, which is provided by the company. The relevant information is also collected through personal effort by approaching the staff I n official hours. The data obtain from the audited financial statement of J.Bs. industry are prepared and presented in tabular forms, graphics forms and they are analyzed by using various tools and techniques of financial and statistical analysis.

5.2. CONCLUSION:-

From the study of W/C management of J.Bs industry private limited, the main conclusion of the study are presented below.

1. the investment on cash and bank balance of J.Bs. industry in minimum comparing with other current assets which is better for the industry on relation to maximum utilization of sources.
2. sundry debtors (receivables) is the measure component of current assets, it is voltaic.
3. investment made on inventory is the second largest element of the current assets. It is increasing trend but last year 2066/67 has decreasing, it is increasing trend shown that the sales volume is decreased and large amount will be stay idle.
4. Investment made on fixed assets has in fluting trend and is less than current assets. So, its profitability position is not satisfactory.
5. the current liabilities of J.Bs. industry Pvt. Ltd are in increasing trend which is better for the industry since it can utilized the amount without interest.
6. The current assets to total assets ratio is fluting trend. It sir in increasing in year 2063/64 and 065/66. But decreasing in year 2064/65 and 2066/67. Increasing period shows the profit also increase otherwise nice versa.
7. the current assets to fixed assets ratio is fluctuating trend. This results shows that the combination of current and fixed assets has been found sound. The company maintained its satisfactory. In the last year, the current assets and fixed asses ratio is decreasing trend due to fluting fixed assets but not by C/A.
8. the receivable to current assets ratio is increasing trend. It is better for the industry. It is shows the positive result in sales. The ratio of inventory on current and total assets in also increase in trend which implies the higher level of sales which is better for the industry because higher would rise the profitability of the industry.

9. The net working capital at the industry is increasing trend in the first two year and last period which be invested in profitability opportunity in year 2064/65 of study period, which indicates that can not create any opportunity to the company.
10. In study period current assets ratio is increased and decreasing or fluctuating in study period. Year 2063/64 is highest ratio of study period, but it is not better for the industry
11. The quick ratio of industry is not satisfactory. The ratio is in fluctuating trend because of the fluctuation in quick (current) assets. Pervious four years the firm is able to meet its obligation in which the ratio is 0.2167 but its standard is 1:1 so the management should take step to reduce inventory and maintain its standard 1:1.
12. Inventory turn over ratio is also fluctuating trend which shows the inefficient management during the study period the management of the company has not given due importance for the efficient management of the inventory, which as results inventory turnover ratio is not satisfactory.
13. The debtors turnover ratio has fluctuating trend which is not better for it and implies the inefficient utilization of debtors. The efficient management of debtors is crucial for the firm to maintain the sound cash position. Fluctuating trend is not satisfactory at all.
14. The collection period of J.Bs Industry Pvt.Ltd is fluctuating trend in study period. It shows fast collection period of debtors which is better for the firm. So, collection period policy must maintained.
15. The fixed assets turn over ratio is in increasing for efficient management of fixed assets the uniform trend for efficient management of fixed assets of the firm. Fixed assets are the long-term life of the any business firm.

16. Total assets turnover ratio is also fluctuating trend. The overall assets position of the firm is not satisfactory due to its inefficient utilization of the total assets of the firm. From this, the position of the assets is not satisfactory.
17. Current assets turnover is fluctuating the fluctuating in assets turnover does not show the efficient management of the current of the assets. C/A of the firm are indicate operation of the firm. Therefore, the firm must concentrate for the sound management of the C/A
18. The gross profit margin is going to increasing on fourth year (i.e. 2062/63 to 2065/66) but last year 2066/67 on decrease, which shows the unsound and inefficient management, so, it is not better for the industry.
19. Net profit margin ratio is also in fluctuating trend. In general, it has been increasing during the study period. But not satisfactory, it may be due to lack of efficient management of, over staffing and under utilization of available resources. But there are possibilities to improve in the year to come.
20. Return on total assets and current assets are positive during the study period which shows the good profitability position of all financial resources invested in different years.

5.3. RECOMMENDATIONS:

In the research of analysis and conclusions of the study following recommendations have made:

1. The low bank and cash balance of the firm should unfavorable conditions when the firms activities would increase it should borrow cash to make the strong liquidity of the firm.

2. The firm should try to minimize the increasing debtors (receivables) without decreasing sales to making it strong in short term solvency.
3. J.Bs. Pvt. Ltd should make its selling effort effective so that heavy stock of finished goods would be minimum. For this purpose, management should make its selling unit more efficient
4. Company should utilize advertisement media for the further strengthening and extending its market share and absorbing more opportunity.
5. J.Bs. Pvt.Ltd, should make proper balance of cash, in other words, it is necessary to determine the limit of holding cash as per the requirement of its operation.
6. For controlling the bank of receivables, the management of J.Bs. industry private limited needs a proper and fixed policy to collect the due amounts and to control the delay on its receivables collection
7. The falling trend of current assets turnover ratio should be maintained for the efficient management.
8. The ratio should make more cash sales by decreasing the amount of inventories.
9. The firm should decrease the average collection period in further years so that firm can utilize its long term operation.
10. The firm should increase cash sales for quick collection of credit. It helps the firm for the liquidity.
11. J.Bs. industry Pvt. Ltd should determine certain rate on its investment and sales target should be set to overcome the problem of lower profit
12. J.Bs. Pvt. Ltd should afford cost control program to reduce the amount of cost.

13. For the better management, the management information system should be established which supports the management of company providing an opportunity business information.
14. Further more, the firm should make financial analysis of the prepared financial statements and other supporting schedules. This would leak out many facts about the firm's operation and efficiency.
15. Lastly, the firm should constitute research and development unit for conduction research and development activities, which can bring efficiency in production process and maybe helpful in reducing cost, exploring new facts and tacking with business threats.

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Appendix A

Balance Sheet of J.Bs. Industry Pvt. Ltd. Itahari-5, Sunsari

Particular	2062/63	2063/64	2064/65	2065/66	2066/67
<u>Liabilities :</u>					
Capital	981500	1944500	1944500	1944500	1944500
Reserve and Long term loan	2898069	3716960	4988352	6374679	8640765
Working capital	2860000	3985037	3985037	3985037	3985037
Current Liabilites					
Short term borrowing	3450000	4000000	10502653	11814556	10499334
Provisions	90569	75905	172958	632007	423803
Accounts Payable	5719256	8411364	10810856	14705727	19158441
Repayment of Loan Premium	0	0	0	0	0
Total Capital and Liabilities	15999394	22133766	32404356	39456505	44651880
Fixed Assets (net)	3999193	5113738	9043544	8950912	12119910
<u>Current Assets:-</u>					

Ending Inventory (closing)	9992633	12328227	16876644	20983960	19890436
Account Receivable	1713096	3040599	5505694	8765281	10252030
Cash Balance	79098	1310559	469207	134456	768534
Prepaid Expenses (deposit)	215374	340643	509267	621896	1620970
Total Assets	15999394	22133766	32404356	39456505	44651880

Sources: Annual Audit Report of J.Bs. Industry Pvt. Ltd.

Appendix B

Profit and Loss Account of J.Bs. Industry Pvt. Ltd. Itahari-5, Sunsari

Dr.

Cr.

Particular	2062/63	2063/64	2064/65	
To Distribution Expenses	2520	35614	448415	
To Administrator Expenses	2775981	4027609	8114076	
To Interest	75143	3573	80121	
To Depreciation	557194	553133	1323304	
To net profit	797192	1050252	1545842	
Total	4208030	5670211	11511758	

By Gross Profit	336804	5670211	11502834	
By Income from Other Business	839426	0	8924	
Total	4208030	5670212	11511758	

Sources: Annual Audit Report of J.Bs. Industry Pvt. Ltd.

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Sources: Annual Audit Report of J.Bs. Industry Pvt. Ltd.

Appendix B

Profit and Loss Account of J.Bs. Industry Pvt. Ltd. Itahari-5, Sunsari

Dr.

Cr.

Particular	2062/63	2063/64	2064/65	20
To Distribution Expenses	2520	35614	448415	25
To Administrator Expenses	2775981	4027609	8114076	87
To Interest	75143	3573	80121	37
To Depreciation	557194	553133	1323304	13
To net profit	797192	1050252	1545842	18
Total	4208030	5670211	11511758	125

By Gross Profit	336804	5670211	11502834	125
By Income from Other Business	839426	0	8924	1
Total	4208030	5670212	11511758	125

Sources: Annual Audit Report of J.Bs. Industry Pvt. Ltd.