CHAPTER-1

INTRODUCTION

1.1 BACK GROUND OF THE STUDY

Nepal is an underdeveloped country & land locked country but very beautiful. it is situated in between two countries. So,' it is a yam between two stones '. It is a Himalayan kingdom & having different features as buffer state in the south Asia. It is very greenery. So, it is called the Switzerland of the South Asia. On the basis of total area covered, it is 22 times smaller than India & 65 times smaller than China. It lies in the 26o27' north to 30o27' longitudes and 80o04' east to 88o12' east latitudes. It has covered 0.003% in the world and 0.3% in Asia continent. There are low numbers of educated people and development upon agriculture. About 81% of total population is dependent upon agriculture. From this we conclude that only 10% people are engaged in the industrial sector. So sufficient industries are not established in our country as being under development.

Being poor mountainous and agricultural country, Nepal has faced a lot problem in her economic development. Not a single factor is responsible for the retardation in her path of economic development .Many tremendous causes such as lack of source of finance transportation, education, socio economic, mismanagement of government rules and regulation and geographical land by nature etc. handicap the country and lead towards the low productivity and less effective 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 economic with predominated dependence on tradition agriculture can be gradually transferred through the process of industrialization.

The overall development of any country depends upon sound and rapid progress of the industrial, trade and commercial sectors. For the smooth operation of the private and public organization needs good working capital management to development the agriculture country, the industry based upon agriculture play key role. Such industries are established mainly for earning profit through providing product and service for the sound operation of business sector.

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

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

Unequal distribution of nation income
Landlocked country
Development country
Lack of sufficient capital
Political instability
Mixed economy]
Higher population growth
Depended on foreign aid
Lack of infrastructure
Lack of skilled man power
Finance holds key role all human activities. Every Financing decision is done by observing the income and expenditures of such investment decision. So it shows the way to make national decision. It is both the science and art. It analyses investment decision process in a systematic manner as science and apply its rules as an artists. However, finance strategy is the life blood of every enterprise such as manufacturing origination. It is one the components of finance management. It is a nerve of the business concern. It essential to accommodate the smooth running of the concern. No business can operate successfully and effective and efficient management of the working capital. Adequate working capital will be helpful to keep solvency position, goodwill, credit worthiness as well as building capability to face to pay the finance bottleneck. It is true that well firm needed to face wages, pay for the raw materials, pay bills and so on. The money available to them to do this is known as firm's working capital. It is better to

specify the working capital by different pioneers and authorities of finance as regards working capital

'Working capital management is the management of currents assets and the current liabilities of the firm'1

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

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

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

The terms current assets refer to those assets which can be made within a year (Fiscal year). Such as cash, short term securities, debtor's bills receivables, accounts receivable, accounts receivable, inventories etc. The terms current liabilities are those which should be paid with in a year. Such as accounts payables, creditors', bills payables, bank overdraft, outstanding expenses etc. However, the effective in the firm not keeping high each one.

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

Our study focuses on working capital management of private firm with special reference to J.Bs industry private limited. in this regard J.Bs industry is established in 2047 .It is located in Ithari municipality of Sunsari District .It manufacture fruits and vegetable product 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 , 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 technical difficult on the production process.

[1]Thapa Kiran amd Narayan, Niraula corporate Financial Management, khanal book publisher and distributors, 3rd Edition, 2062, P101
[2] Oxford Advance Terms Dictionary of current English, 5th edition (2nd impression 1997) p.1377.1

The industry is established under domestic and small industry act. At the starting time only family members run this organization gradually it could rise up. Now there are 12 staffs and workers but on season 40 to 50 seasonal workers required. Mostly seasonal workers required on Masir to Falgun for processing of raw material and Ashsad to Bhdra for raw materials 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.It is assumed as a national product.

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

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

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

After implementation of cleaner production programme, the wasted generated form processing has been reduced. The productivity has increased. House keeping particles is also improving.The scope of this industry is bright. The products are notorious & delicious.However they are perishable, so special attention & care should be given during manufacturing & processing time. Hygienic environment is most essential on production unit.Recently the organization has gained national award from the ministry of

[3] J.F Weston &, Managerial Finance, 11th Edition 1996, New York P332.
[4] P.K jain & K.Y, Financial, Tate me grow hill publishing house India 6th

agriculture & co-operative, department of agriculture, on the occasion of 26th world food festival held at 2063 Ashoj 30. From this award the intention & motivation of all staffs & management has improved & are encouraged & committed for further improvement.

To run the daily production activities of the industry, besides the manpower, machinery etc one of the major components is working capital without which other fixed things can't be used. So, this study is conducted how the working capital is being managed in J.Bs'. Private limited. It is able to maintain liquidity ? Effective and efficient management of finance plays a key role for the success of each and every organization. So, working capital plays a significant role in every respect & more. So, in trading concerns structure of working capital & its functions depend upon working capital.

Some industries are not maintained good working capital in it due to the following reasons which harms the organization & leads to the liquidation of the organization;-

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

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

Adequate working capital brings Security & confidence with various advantages such as better term of purchase, cash, discount, bank loans. & favorable rate of interest. There would be steady work which raises the moral of employers, & efficiency & creation of sound industries. So, to make soundness & strength of enterprises, the adequate of working capital is needed. So, the manufacturing industries should not have access working capital. It is the sign of poor management; the effective liquidity position leads the industries in to profitability by avoiding risks & uncertainties. On the other hand, in adequate amount of working can threaten the solvency of the organization. It fails to meet its current obligation. Therefor the current assets & current liabilities are needed to manage in respect to the

changeability in the out side trend of the business environment. So, the management should be prompt enough initiate & actions & corrections.

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

Proper financial management is an essential thing for every private firm from the view of achieving its objective. In this respect, management of working capital is part of decision making process of business organization. In manufacturing private firm the role of working capital is more important than service oriented business firm. The study of working capital management in private is very important mainly for these four reasons. Firstly, privet business firm must determine the adequacy of investment in current assets; otherwise it would seriously erode their liquidity base. Secondly, they must be selecting the types of current assets suitable for investment, 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& lastly, they must find out the appropriate source of fund to finance current assets.

Recently the organization has gained National Award from Ministry of agriculture & co-operative department of agriculture, on the occasion of 26th World Food Festival held at 2063 Shoj, 30. from this award the intention & motivation of all staffs & management have improved & are encouraged & committed for further improvement.
The scope of this industry is bright. The products are Nutritious & Delicious. However they are perishable so special attention & care should be given during manufacturing & processing time. Hygienic environment is most essential on production unit.

The term net working capital can be defined in two ways (1) the most common definition of net working capital is the difference between current assets & 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 position. It is more important to the investors and lenders.

The net working capital, being the difference between current asset and current liabilities indicates the liquidity position and suggest the extent to which working capital needs may be financed by the permanent source of fund. Business enterprises must possess sufficient currents assets to pay current liabilities and maturing obligation with in the operating cycle because cash outflows and inflows do not coincide.In other words, it is the non synchronous nature of cash flow that makes net working capital necessary. While inadequate investment in working capital threatens solvency of firm 7 excessive investment affects enterprises profitability, as idle investment yield nothing.Due to the lack of basic knowledge of working capital most of the business enterprises in Nepal are unable to maintain the best level of working capital management. Deficiency of working capital management has often brought a lot of liquidity crises, which should have been avoided in the presence of knowledge among the private enterprises manager.

So, sufficient finance is needed for every industry to run smoothly. The life blood means working capital management which leads them as good security, certainty & confidence of a business. So, to see the importance of working capital, a study is conducted to know the working capital strategy & policy of J.B.S. privet limited.

Many questions are asked in relation to the working capital management such as how is it raising its fund. What are the trends of current assets? Is there effective management of working capital? Is the working capital increasing or decreasing? What is the working capital position of the company of the company? Are the funds moving property? How well is the company using the funds? To get the satisfactory answer to these questions, the study conducted relating to the working capital management of J.Bs. industry Pvt. Ltd. The study also clears about the relationship between current assets & current liabilities. 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 2059 to 2064 B.S. To find out the position of working capital, financial

1.2 RESEARCHER'S INTREST

The researcher is interested to study the working capital management condition of this industry because he believes that , this will not only provide better understanding of the concerned company . This will enable to improve working capital management in the coming days.Further more the researcher belives that there is lack of studies on such area.

1.3 RELEVANCY OF THE STUDY

With in the time period, different fruit industry has been established in our country. It plays key role to devleop the economic condition of the country. For the rapid development of such firms, the effective study of working capital management is needed. So it is the main thing & nerve centre of the firm.

In this context, J. Bs'. Industry is chosen & analyzed to highlight the importance of the working capital. Thus, relevancy or need of the analysis of this industry trends in various aspects & suggestions on the promotional measures of working capital management. Findings of the sound working capital position of industry will provide ideas upon optimal working capital position. so, working capital chosen as it is the blood of each & every]

1.4   STATEMENT OF THE GENERAL PROBLEMS

Every organization is established with its effort to achieve the goal of maximizing profit & others. So, no one can assume that we can get problem less organization. So, J.B.S. industries have also some problems.

With the passing of time, the product of this industry is being popular all over the Nepal. The products of this industry cover the area of Nepal because J.Bs' pvt. Ltd. is one of the most prominent industries in the production of fruits items & vegetables items. Now a days this industry has occupied an important place in the modern business of Nepal. Some of the problems seen in the field of study are illustrated as under:

The credit sales volume has increased but not earned satisfactory profit.

The net profit has not increased relation of sales

The inventory turnover has increased highly.

Sundry debtor shows the loose credit collection policy.

Increasing position on inventory investment.

Financial performance is not satisfactory as excepted.

The structure of the organization is not scientific & the uniformity is not in the recording cost. Although the costs are categorized well, on the other side, the costs are not seperated as fixed costs & variable cost & semi variable cost . So, it is hard to determinate controllable & controllable costs. So, systematic recording costs are not maintained.

The above observation indicates the poor working capital management in J.Bs Ltd. So, this study attempts to have an inside view over the problems of working capital management. Therefore, it should have enough working capital to margin profit, market opportunities and to achieve targeted goals.

1.5 OBJUCTIVES OF THE STUDY

The basic objectives of the study are to be measured working capital management of J.B.S. industry & to obtain the true result about the working capital position of J.B .S industry. This study also provides the suggestions for the improvement of the working capital management of the firm. Some other objectives of the study are as under:

a. To know the management of working capital and maintain stability of the firm.

b. to know the structure of working capital & assets.

c. To show how working capital determines the strength & weakness of the firm.

d. To know the relationship of current assets on sales & profit.

e. To know the financing of current assets.

f. To judge short term & long term liquidity position of the firm.

g. To know the cash flow statement of the firm.

h. To provide reformative suggestion for the future improvement of the industries using different method.

i. To identify the various working capital aspects of J.Bs. industry privet limited.

j. to establish the relationship between sales & different variables of working capital.

k. To exam in the effect of working capital on profitability.

l. To evaluate the size, growth, structure, liquidity, adequacy, efficiency & productivity of working capital position of J.B.s' Pvt Limited on the basis of ratio.

m. To provide better suggestion for improving working capital management in future.

1.6 ASSUMPTION OF THE STUDY

As every research has its own assumption & limitations.

The main assumption can be written as under:

a. The data provided by the firm are correct & accurate & other references have been assumed correct & true.

b. Data are collected by the concern firm. So, secondary data are used & these data are correct & valued.

c. The total working days are to be 360 in J.B.S. industry.

d. Since the analysis of data has been taken from the company's account, the research is based mainly on secondary data & this study is not free from the limitations.

e. Focused only the data up to five year (from 2059/60 to 2063)

1.7 LIMITATION OF THE STUDY

Every study is not free from biasness. so ,there are some limitations for the reliable 7 valued analysis of J.B.S. industry privet limited.

These limitations can be written as under:

a. This study is conducted with in a short period of time.

b. Only the data analyzed from 2059 to 2064 B.S. this shows that the data are taken as sample from universe.

c. The data which are analyzed in the study are secondary because these are collected from the hand office of this firm.

d. The inflationary effect is not included at the time of study.

e. This study is conducted with in short period of time.

f. Information regarding material and verbal answer is given by the manager of the company is not sufficient from the study.

g. Although government rule & regulations, technological aspects of the industry also effect the financial position of the industry, this study is not concentrated in the government rules & regulation & technical aspects.

h. Working days of the industry is assumed 360 days per year.

i. Since the data available in annual reports are not in organized from, they have been organized according to the need of the analysis.

1.8 RESEARCH METHODOLOGY
A. Population of sample size
The sampling will be used for the study. The analysis will be based upon sampling. Different 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 the J.B.S. fruit product will be investigated by studying directly.

C. Research method
Direct supervision, questionnaires & others will be used for the true, exploratory & analytical study.

D. Source of data & collection strategy
Various tools are used for the collection data J.Bs Fruit industry is the primary source of data, other news paper & journals etc. Are used to find the salutation of the above mentioned problem.

E. Methods of data analysis
Different methods of data analysis are used under to analysis the 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 Error

1.9 ORGANIZATION OF THE STUDY
In this research study, following of the chapters are included:

A. Introduction

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

B. Review of literature

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

C. 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 matter of the study. Such as, research design, research method, and source of data & collection strategy tools to be used & methods of analysis are included.

D. Presentation & analysis of data

Various variable 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.

E. Summary, conclusion & recommendation

This chapter presents the summary of the total study. Conclusion will be drawn to show the weakness & strength of the various tests conducted in chapter & recommendation is forwarded to concerned industry i.e. J.B.S. industry Pvt. Ltd. The areas of weakness & ways to improve them will be presented. Suggestions & further paths of improvement will be recommended to the industry.

1.10 TERMINOLOGIES USED

a. Current assets

Current assets include cash & those assets which can be converted into cash with in year such as marketable securities, cash, prepaid experiences, bills, receivable, account receivable, inventory, book dept , sundry debtors etc

b. Current liabilities

An obligation maturing with in a year is included in current liabilities. Thus current liabilities include sundry creditors, Provision for taxation,

bank over draft, bills payable, out extending expenses, account pay able, & unclaimed dividend, for bonus, housing & income tax etc.

c. Net working capital

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

Net working capital=Current assets-current liabilities

d Quick assets

It is a part of current assets which are considered as highly liquid.

We have to reduce prepaid expenses & inventories from total current assets. Prepaid expenses & inventories are not included while determining it.

e. Fixed assets

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

f.Total Assets

It is the total sum of current and fixed assets.

g. Equity

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

h. Debts

Debts mean money; goods and services owing to another by virtue of an agreement expressed or imply giving right to legal duty to pay it .

t. Total fund

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

j. Inventory

Inventories are the stock of goods which keeps meeting firm's requirement of production and sales. These are raw material, working progress, finished goods and chemicals etc.

k. Receivables

It includes the sales debtors and other debtors only.

l.. Cash and Bank balance

It includes the cash in hand and cash at bank.

CHAPTER–2

REVIEW OF LITERATURE

2.1 INTRODUCTION OF CONCEPTUAL REVIEW

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

2.1.1 FINANCIAL MANAGEMENT

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

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

Financial management decisions regarding the acquisition of funds must consider whether to acquire funds through one's financial resources, the resources of other investors, or by borrowing. Decision 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, and financial managers must understand and interact directly with decision makers in financial markets and participate on the business that they represent. This interaction could be limited such as obtains saving or checking account at a local bank. On the other hand, it could involve more sophisticated interaction such as raising funds by issuing equity claims in one forms of share stock.

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[5] Pradhan, Surendra Basic of Financial Management, Education Enterprise (P) Ltd., Kathmandu, reprint, p3

[6] Joshi ,Padam Raj Fundamental of Financial Management, Asmita books and Stationary ,Kathmandu. 1st edition 2004 p3

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

Financial management is the centre of each business firm. Managers can not make sound decisions in a vacuum; they need a best decision on relevant concepts and realistic framework5. In this regards, to make the sound result, it should be based for decision upon the realistic frame work. Financial management is concerned with the management of firm, which is also called business finance or managerial finance. Financial management deals with the acquisition, financing and management of assets for them purpose of achieving certain goal.'6

Financial management comprises two words: "finance" and "Management ". Finance can be defined as the procurement of funds for the Financial management comprises two words "fiancé" and "management" Finance can be defined as the procurement of funds for the business and its efficient utilization in the productive field. Management refers to the planning organizing, and coordinating, directing and controlling in order to achieve the goal of the firm. Therefore, raising, controlling and administrating of funds used in business.

Financial management is to be more precise, concerned with the investing 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.

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[7] Thapa Kiran and Niraula, narayan corporate Financial Management khanal books publisher and distributors, 3rd Edition, 2062, Pl.2

structure of Financial managment

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                    ┌─────────────────────────────┐
                    │     Board of Directories     │
                    └─────────────────────────────┘
                                  │
                                  ▼
                    ┌─────────────────────────────────┐
                    │ President (Chief Executive Officer) │
                    └─────────────────────────────────┘
                                  │
          ┌───────────────────────┼───────────────────────┐
          ▼                       ▼                       ▼
┌──────────────────────┐ ┌──────────────────────┐ ┌──────────────────────┐
│ Vice president Operation │ │ Vice president Finance │ │ Vice President Marketing │
└──────────────────────┘ └──────────────────────┘ └──────────────────────┘
          │                                                 │
          ▼                                                 ▼
   ┌──────────────┐                                  ┌──────────────┐
   │  Treasurer   │                                  │  Treasurer   │
   └──────────────┘                                  └──────────────┘
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          ▼                                                 ▼
┌──────────────────────┐                      ┌────────────────────────────────┐
│ Cash Management       │                      │ Cost accounting                │
│ Credit management     │                      │ Cost Management                │
│ Capital Budgeting     │                      │ Date processing                │
│ Financial Planning    │                      │ General Ledger                 │
│ Risk Management       │                      │ Reporting                      │
└──────────────────────┘                      │ Prepare Financial Statement    │
                                               │ Prepare Budgets                │
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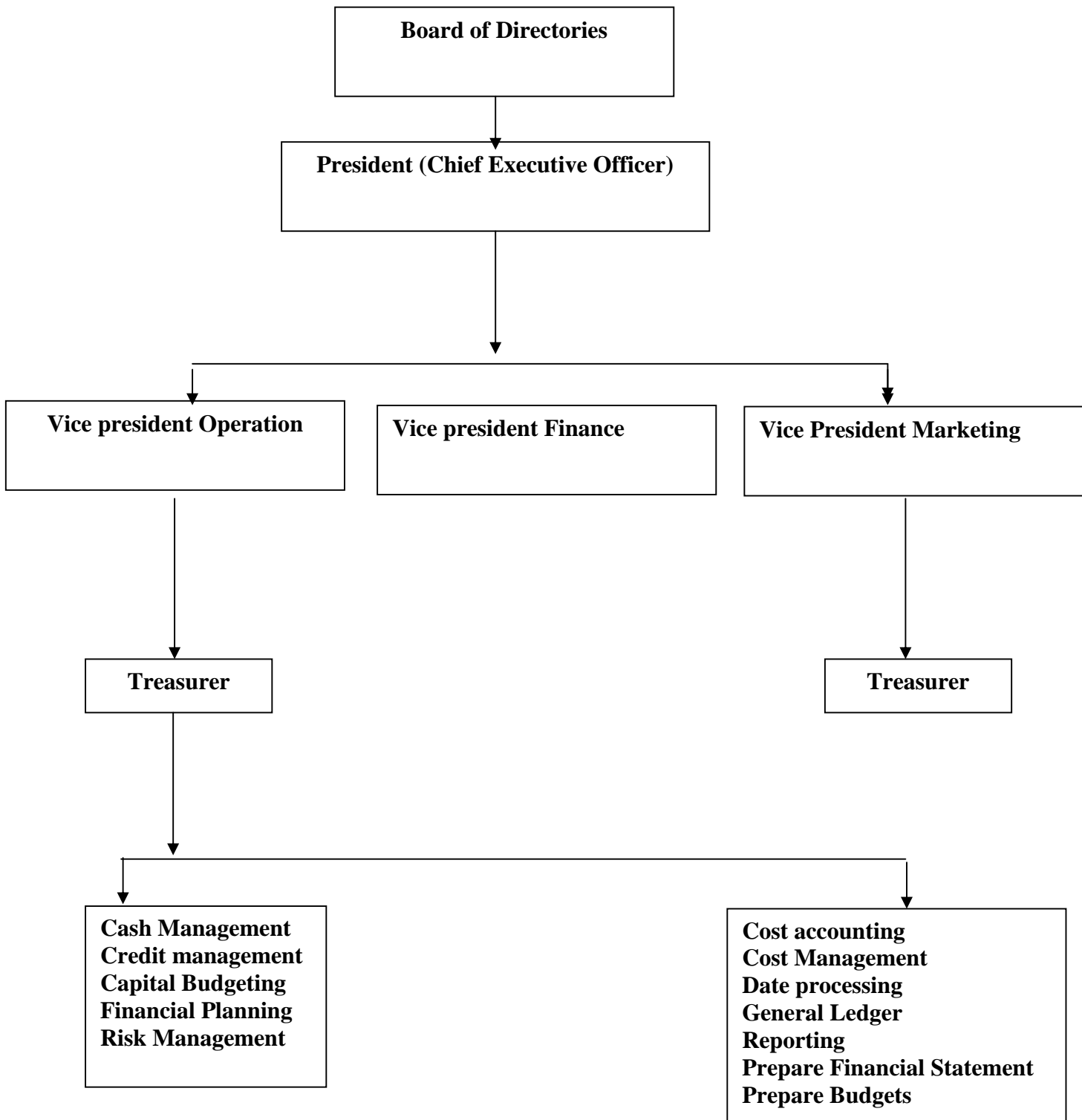
Figure 1: financial Management in the Organizational Structure

2.1.2 .Importance of finance

Financial management is important for efficient the smooth operation of the each firm. So, it is compared as the life blood. Without it, firm becomes the dead body. To operate the daily transaction, and obtain the goal or profit could only be achieved by the effective management of finance. Other importance of the financial management is as under:-
 For making decision regarding the investment in long term asset such as building .furniture, machineries.

 For making decision on the mix of long term sources such as debt, preferred stock and common stock.
For making dividends decision for the shareholders.
For making dividends upon working capital management.
For achieving the goals of wealth maximization and welfare of the shareholders.

2.1.3 Working capital management

Generally, working capital management is the management of current assets and liabilities. Working capital is the support to the present for the future success of each and every firm. So, it is regarded as the Life blood of the 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 regarded 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 firms value can be maximized in the long run unless it survives in the short run. Firms fail most often because they are unable to meet their working capital needs. consequently; sound working capital management is a requisite for firm survival.'Working capital; management involves the administration, within policy, guidelines of current assets and liabilities.'8Working capital: A firms investment in short terms assets cash marketable securities inventory and accounts receivable 9'The term working capital originated with the old Yankee Peddler, who would load up his wagon with goods and then go off on his route to peddle his wares and repeat again'10

Therefore the major items those are included in working capital are current assets and current liabilities. Current assets are cash,

8 Weston, J.F and Brigham, E.F Essential of Management Finance, Dryden press 11th edition 1996, p332.
9Ibid, p332
10Ibid, p332

marketable securities, account receivable etc. the assets that can be easily converted into cash within a year without losing any value is termed as current assets. On other hands, current liabilities are such which should be paid within a year.

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

There must be a cycle of the working capital management which can be illustrated as under.
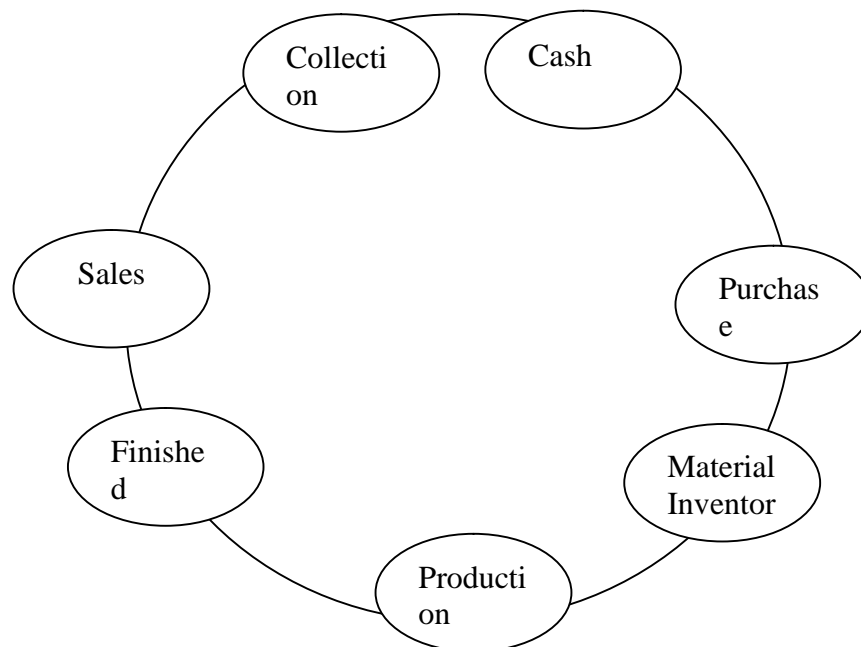
Figure-2: Cycle of the working capital management

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

2.1.4 Concept of working capital

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

Gross Concept

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

Cash

cash in hand

cash at bank

bill receivables (sundry debtors)

Sundry debtors (less new bad and doubtful debts)

Inventories

raw materials

 work in progress

Finished goods

prepaid expenses

account receivables

accrued incomes

in the other 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 returning him in another and it's only by means of such circulation's or successive exchange that can yield him any profit. Such profit there fore, may properly be called circulating capital "11.

R.S. Pradhan and KD. Koirala express their views about gross concept of working capital as "If all the expenses needed to run 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 "12.

According to RS Sharma and SK Gupta " the term working capital refers to the gross working capital and it represent s the amount of funds invested in current assets .Thus , the gross working capital is the capital invested in total current assets of an enterprise."13

According to this concept the total of current assets if working capital. The liabilities are not taken into consideration. So, this concept does not lead us to the good conclusion and result.

Net concept

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

Bills Payables

Sundry Creditors

Account payables

Short-term loans

Advance

Bank overdrafts

Out standing expenses

Income tax payables

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

According to Gilman" The term networking capital can be defined as in two ways :(a) The most common definitions of net working capital is the difference between current assets and current liabilities and (b) Alternative definition of networking capital is portion of firm's current assets, which is financed with long term funds"14

As expressed by American Institute of Certified Public Accountants USA. "Working capital sometimes called net working capital is represented by excess of current assets over current liabilities and identifies the relatively liquid position of total enterprise capital which

[9] Adam Smith, the wealth of nations, modern lib inc, New York 1973, p/p 262-283

12 R.S Pradhan & K.D Koirala, Some Reflection on working Capital management in Nepalese Corporate Management Dynamics, Vol .3 No.1

[13] R.K Sharma & S.K Gupta, Management Accounting Principle and Practices, 7th edition 1996, p.21

constitutes a margin of maturating obligation within the ordinary operation cycle of the business "15

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

Net working capital can be negative or positive .A positive net working capital arises when current assets exceed current liabilities. A negative networking capital working capital occurs when current liabilities are in excess of current assets.

The gross concept is a financial or going concern concept where as net working capital concept is an accounting concept of working capital. These two concepts are not exclusive; rather both have their own merits.

The gross concept emphasizes that excessive investment in current assets affects profitability, as idle investment yields nothing .Similarly inadequate investment in current assets makes it difficult to carry out day to day operation of business smoothly.

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

2.1.5 IMPORTANCE OF WORKING CAPITAL MANAGMENT

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

A large proportion of the financial manager's time is allocated to working capital management.

More than half of the total assets are typically invested in current assets.

The relation between sales growth and the need to invest in current assets is close and direct.

Investment in fixed assets may be reduced by renting or leasing , but investment in inventories and receivables are usually unavoidable.

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[14] L.G Gilman Op. Cit P1.50

Small forms may maximize their investment on fixed assets by leasing bur they can not avoid investment in cash, receivables and inventories. Management of working capital increases the sales.
Management of working capital increases the credit worthiness.

2.1.6 Types of Working Capital
The working capital is divided into two groups.
Permanent working capital
The capital which is not changed due to the proportional change in production and sales is known as permanent working capital. The inventor invests the fixed amount in such assets such as bank and cash safety stocks. On the investment made upon these will never be zero .So, the variation into sales leads to change in permanent working capital.
Variable working capital
 The capital which changes with respect of the proportional change in production and sales. Increase in sales, increase in capital and decrease in sales don't decrease this capital. For heavy sales, the Stock of materials should be high as well as higher receivable, which increase the variable working capital.
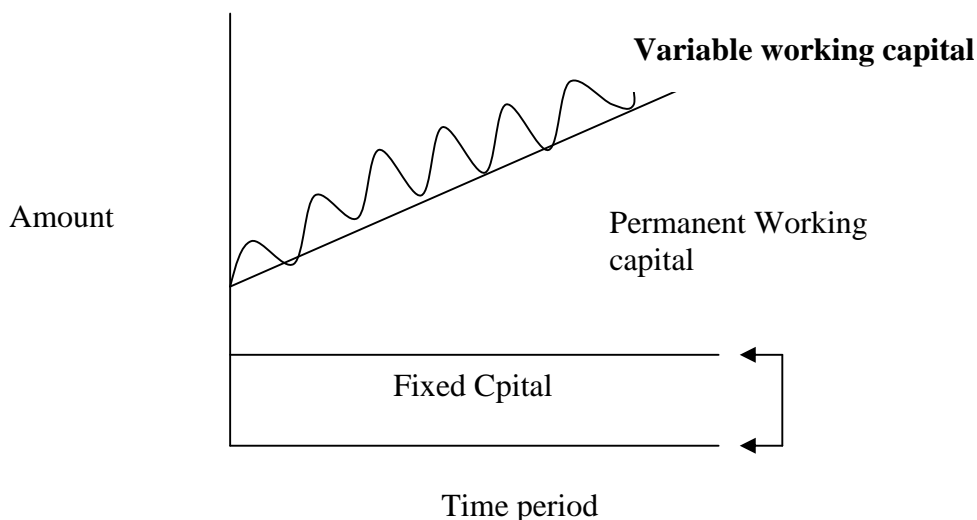One figures presented below to understand better variable working capital.

Figure 3: Type of working capital

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

2.1.7 WORKING CAPITAL POLICY

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

a. Conservative 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.
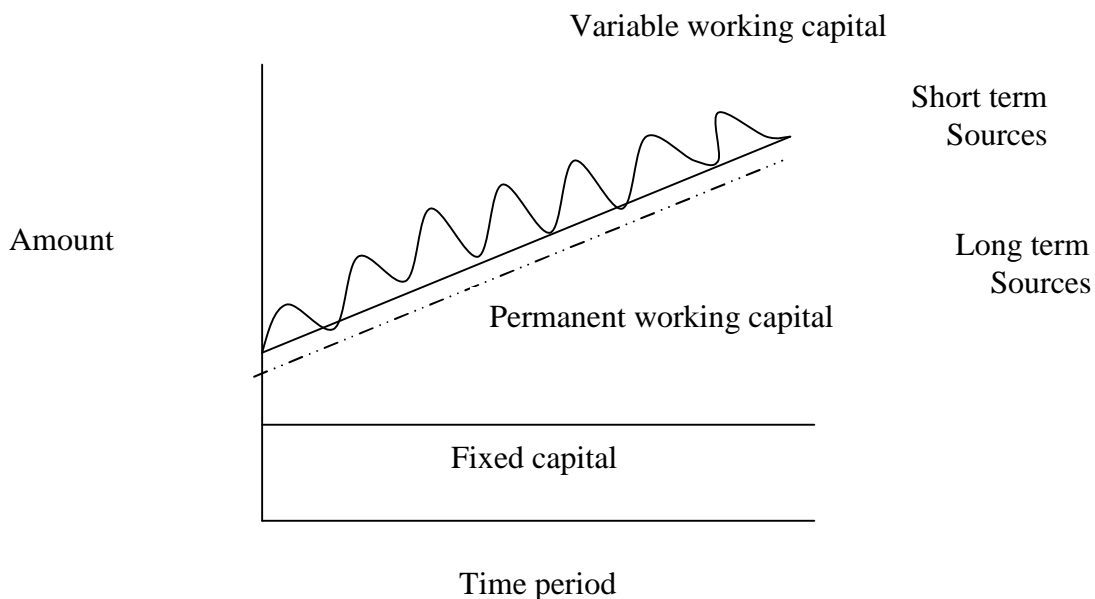

Figure-4: Variable Working Capital under Conservative Policy

b. Aggressive Policy (Tight Policy)

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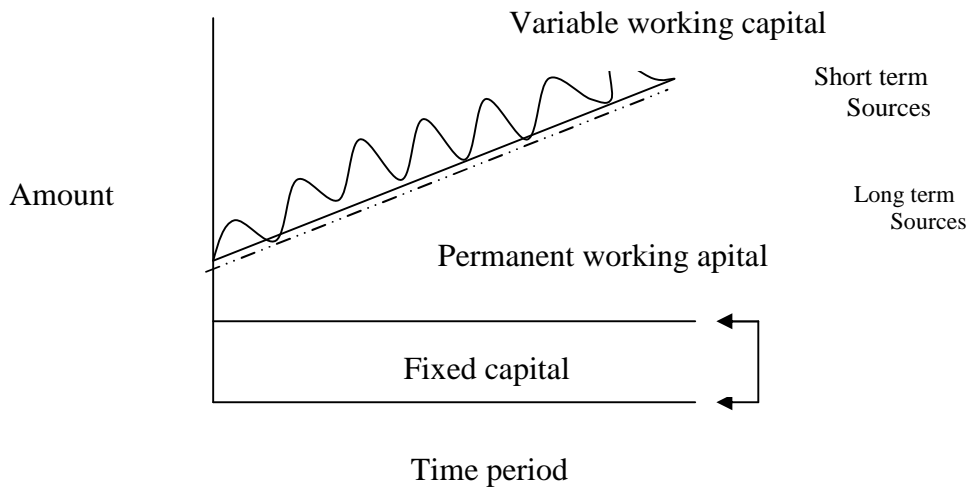
Variable working capital

Amount

Short term
Sources

Long term
Sources

Permanent working apital

Fixed capital

Time period

Figure -5: Variable Working Capital under Aggressive Policy

c.   Moderate Policy (Average)

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

Variable working capital

Amount

Short term
Sources

Long term
Sources

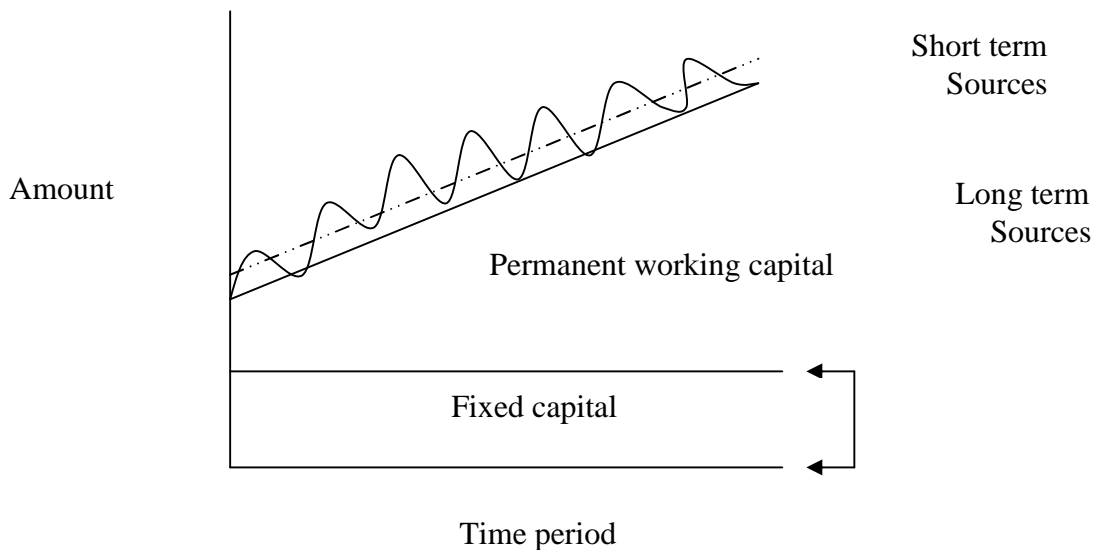Permanent working capital

Fixed capital

Time period

Figure6: Variable working capital Under Moderate Policy

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

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2.1.8 DETERMINANTS OF WORKING CAPITAL

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

- ❖ Nature of Business
- ❖ Size of business
- ❖ Growth rate
- ❖ Seasonal effect
- ❖ Cyclical factor
- ❖ Changes in technology
- ❖ Manufacturing process
- ❖ Production policy
- ❖ Credit policy
- ❖ Cash flow cycle
- ❖ Price level change
- ❖ Demand policy
- ❖ Operating Cycle
- ❖ Business Cycle
- ❖ Terms of Purchase and sales
- ❖ Level of income tax
- ❖ Transportation and Communication Facilities
- ❖ Credit Policy
- ❖ Technological Development

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

2.1.9 REVIEW OF JOURNALS/ ARTICLES

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

The research work done by Dr. Manohar K. Shreshtha in an article," Working Capital Management in selected public enterprises ". in this study Dr. Shreshtha found the proper management of working capital is a neglected factor in most of the enterprises. They are suffering from inefficient cash management, defective inventory policy and lack of account receivable management .Due to the

improper working capital policy, the enterprises failed to determine the liquidity needs and appropriate sources of financing them. The liquidity position of selected PES differs widely in view of the difference in their nature ,but the liquidity position maintained by most of the individual enterprise is less than satisfactory .Similarly ,due to lack of improper plans and policies ,the most of the enterprise on the one hand ,are facing serious financial crisis and on the other hand ,are showing poor turnover. This also demonstrates operational inefficiency of PES. It is seriously undermined and this has brought of times unfavorable implications in the overall management of working capital. He also stated that the profitability of the most of the PES is positive, but not satisfactory .The employment of working capital in terms of returning is not sufficient to justify in current assets. Lastly, low capacity utilization is the direct result of ineffective working capital policy bringing less return on net working capital".

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

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

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

Another articles relating to working capital management is By Dr. R.S. Pradhan .He studied on the demand for working capital by Nepalese corporations. For the analysis nine manufacturing public corporations were selected with the twelve years data from 1973 to 1984.Form the analysis the regression equation has been adopted .From the study he concluded that.The earlier studies concerning the demand for cash and inventories by business firms did not report unanimous findings. A lot of controversies exist with respect to the presence of economics of scales , role of capital cost and capacity utilization rates and the speed with which actual cash and inventories are adjusted to describe cash and inventories respectively. The polled regression results show the presence of economics of scale with respect to demand to working capital and its various components. The regression results suggest strongly that the demand for working capital and it's component is a function of both sales and capital costs. The estimated results show that the inclusion of capital utilization variable in model seems to have contributed to the demand function of cash

and net working capital only. The effects of capacity utilization on the demand for inventories, receivables and gross working capital are doubtful.

2.1.10 REVIEW OF RELATED LITERATURE

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

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

Inventories constitute the most important and largest element of working capital in NTDC. The overall adequacy of inventories in NTDC discloses that the growth of working capital and inventories in the corporation are negatively correlated

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

The credit policy, which is not clear in itself has not been followed by the corporation while collecting the over due account.

NTDC is expected to improve it's present system of inventories management regarding the planning and purchasing of spare parts, manures, insecticides, fuels etc.

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

Monitoring the proper functioning of working capital management has never been included in the managerial job-in all the selected PES, with no exception to NTDC during the study period.

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

Mr. Bharat Raj Pokharel had studies about "marketing activities of Nepal Pvt. Ltd." He had given the following suggestion and recommendation.[17]

The company should diversify the product lines. Hardened pipes, consumer goods such as kitchen ware and other general container can give more profitability.

[16] Acharya Khagendra, Working Capital Management of manufacturing public enterprise in Nepal with special reference to NTDC" unpolished Ph.D thesis submitted to Allabad University 1986,as quieted in the thesis of Nischal Subedi

Research and development activities should be performed to bring efficiency in production and reduction of operating cost.

Lastly, the company should improve itself by help of sales representatives and displays.

Similarly, Mr. Keshav Prasad Gadtaula had researched on working capital management of NTDC as partial fulfillment of Master's Degree of Management. He concluded that[18]

Risk, liquidity and return policy are the factors that determine the level of current assets. Heavy amount of current assets create more liquidity. So, the form can't maximize its profit

Growth in production and sales make growth in raw materials, inventories, which must require more working capital financing.

The correlation between working capital and assets and working capital and net sales of NTDC is perfectly co-related.

Similarly, Mr.Roshan Kumar Dutta had also performed a research work on working capital management of Himalaya Soap and Chemical Industry Pvt. Ltd. The conclusion of this study is written as under[19]

Cash and bank balance of Himalaya Soap and Chemical is minimum in comparison with the investment made on current assets.

The investment on inventory is decreased which is better for the company.

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

The current assets turnover ratio of Himalian 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 concern this also shows unsound management of current assets in compared sales

The current of Himalayan Soap & Chemical Pvt .Ltd during the study period are more than 2:1 this indicates the company isin a position to pay of Rs. 1 current obligation out of Rs.2 investment in current assets .The overall position of firms is some how appropriate.

The quick ratio of Himalaya Soap & chemical Pvt Ltd during the study period is higher than the standard 1:1.It indicates that to pay Rs.1 current obligation from more than Rs.1 investment in quick assets. It is

[17] Pokharel Bharat Raj Marketing Activities of Nepal plastics term paper submitted to Tribhuvan University for the partial fulfillment of master Degree in business Administration
[18] Gadtuala Keshav Prasad Working Capital Management of NTDC, unpublished Master Degree thesis submitted to Tribhuvan University.

better from the creditor's point of view but over investment in quick assets would not

increase profitability of the firm. So, it is not better for Himalaya Soap and

Chemical Pvt.Ltd.

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

Return on the assets shows negative trend during first four years and positive in final year.

Recommendations

If company's activities show the negative impact, it should borrow cash to make the strong liquidity position.

The cash sales make the company strong liquidity position but the company should try to minimize the receivables without decreasing sales.

The profitability of the company can only be maintained by investigating at least forty percent amount on current assets.

The average collection period should be minimized.

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

The above review of literature from various books, journals and articles and dissertations related to the working capital management shows that one of the major problems in Nepalese corporations behind unhealthy and unsound situation is improper management of working capital. Since the success and failure of any enterprises is heavily dependant upon the efficient management of working capitals should be analyzed. Till now ,no any other study has been made for the analyses of working capital management in J.Bs.Pvt Limited industry so ,this study has attempted to analyze the working capital management in J.Bs. Industry by taking five years data for observations with the help of methodology as described in the following chapter.

Chapter-III
RESEARCH METHODOLOGY

3.1 INTRODUCTION

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

Introduction

The main objective of this analysis is to evaluate the status of working capital management of J.Bs. Industry .So ,the systematic study needs the different research methods ,which lead us to the better result . For the better results, systematic methodology is needed. This study is based upon secondary data which are obtained from the head office of that factory. Different types of research methodologies are used to evaluate the little and obtain better result.

3.2 POPULATION & SAMPLE SIZE

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

'Population may be finite or infinite .20. A finite population is

[19] Dutta Roshan Kumar working Capital Management of Himalaya Soap and Chemical Pvt.Ltd unpublished of partial fulfillment of master Degree.2050 P.107
is

Sample frame is the lists 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 year from starting are the population of J.Bs. Industries. The data analyzed from year 2059 to2063 B.S. are only the sample. It is very difficult to get the actual data. But audited data which are available are analyzed in this study. it is very difficult to analyze the data from the starting year and the result can not be obtained by taking

[20] Wolf H.K and pant P.R social science research and thesis writing Buddha Academic

consideration into the population. So, only the sample is used to analyze and perfection to this study. 'It is not always possible to study every items or elements in a universe. 21 so, the sample from total fiscal year's data are taken due to lack of time and money. Hints sampling becomes inevitable.

3.3 RESEARCH DESIGN

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

According to Karlinger (1986) describes research design as follows:

'Research design is the plan, structure and strategy of investigation conceived to control variance. The plan is the overall scheme or program of the research. It includes an outlines of what the investigator from writing the hypothesis and their operational implication to the final analysis of data. The structure of research design is more specific. It is the outlines, the scheme, and the paradigm of the operation of the variables. When we draw diagrams that outline the variables and their relation and juxtaposition, we build structural schemes for accomplishing operational research purpose. Strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled.22

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

3.4 RESEARCH METHOD AND DATA COLLECTION STRATEGY

Research method refers to the way of collection of data of this factory. To conduct the good study to get better result, questionnaire and direct supervision are taken into consideration to get the better conclusion. Sources of data are collected by the local of this factory and secondary data are used. As far as possible, the other spot study is

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22 Wolf H.K and pant P.R "Social science research and thesis writing", Opcit, P.92

also performed to get the better conclusion. Without the data collection procedure, the result may not be good and the result oriented. So, direct supervision and questionnaire are followed to analyze the working capital position of the J.Bs. industry.

3.5 NATURE OF DATA AND COLLECTION PROCEDURE

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

For the study, only the audited balance sheet, P/L account and other related data, which are secondary in nature and collected from the head office of the firm, are used Manager, Accountant and other personnel of this factory helped to obtain the data of J.Bs. industry?

3.6 METHIOD OF DATA ANALYSIS

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

FINANCIAL ANALYSIS

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

RATIO ANALYSIS

Ratio analysis is the expression of one figure in terms of another. it is expression of the relationship between the mutually independent figures. It is simple mathematical experience of the relationship of one item to another ,Absolute figure alone convey no meaning they are compared each other . Accounting ratio shows the relation existed among various accounting data.

Ratio refers to the numerical and quantities relationship between two items or variable. In simple language, ratio is number expressed in items of another and can be worked out by dividing one items of the relationship with others.

In final analysis, ratio is used as an yardstick for evaluating the financial position and performance of the firm. It is a technique of

analysis and interpretation of financial statement s It helps to make decision as it helps to establish to relationship between various ratios and interpret there on.

According to Kohler ,"a ratio is relationship of an amount to another ,expressed as the ratio of or as a simple fraction ,integar ,decimal fraction or percentage".

According to Wixon, Kell and Bedford, "a ratio is expression of the quantitative relationship between two numbers"

3.6.1 STRUCTURE OF WORKING CAPITAL ANALYSIS

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

A. ANALYSIS OF CURRENT ASSETS TO TOTAL ASSETS

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

$$\textbf{Current assets to Total assets} = \frac{\textbf{Currents Assets}}{\textbf{Total Assets}}$$

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

B. CURRENT ASSETS TO FIXED ASSETS

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

$$\textbf{Current Fixed assets} = \frac{\textbf{Current Assets}}{\textbf{Fixed Assets}} \quad ....\%$$

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

C. CASH AND BANK BALANCE TO CURRENT ASSETS

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

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

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

D. CASH AND BANK BALANCE TO TOTAL ASSETS

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

$$\text{Cash and bank balance to total assets} = \frac{\text{cash and bank blance}}{\text{total assets}}$$

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

E. DEBTORS (RECEIVABLES) TO CURRENT ASSETS

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

$$\text{Debtors (receivables) to current assets} = \frac{\text{Debtor(Receivable)}}{\text{Current assets}}$$

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

F. DEBTORS (RECEIVABLE) TO TOTAL ASSETS

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

$$\text{Receivables to total assets} = \frac{\text{Receivable(debtor)}}{\text{Total assets}}$$

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

G. INVENTORY TO CURRENT ASSETS

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

Inventory to current Assets $=$ $\dfrac{\textbf{Inventory}}{\textbf{Current assets}}$ ... ...%

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

H. INVENTORY TO TOTAL ASSETS

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

The share of inventory on current assets. It is calculated by:

Inventory to Total assets $=$ $\dfrac{\textbf{Currents Assets}}{\textbf{Total Assets}}$ =.................%

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

I. NETWORKING CAPITAL FINANCING

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

Networking capital financing = total current assets –total current liabilities

Higher the networking capital, higher will be the possibility of idle amount for financing. Financing in a good opportunity will be profitable for the firm.

3.6.3. LIQUIDITY RATIO

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

A. CURRENT RATIO

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

Current ratio $=$ $\dfrac{\textbf{Currents Asset}}{\textbf{Current liabilities}}$ =...........times

Its 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.

$$\text{liquid ratio} = \frac{\textbf{Liquid/Quick Asset}}{\textbf{Current liabilities}} = \ldots\ldots\ldots\text{times}$$

Its standard is 1:1 for better position.

3.6.3 PROFITABILITY RATIO

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

A. GROSS PROFIT MARGIN

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

$$\text{Gross profit margin} = \frac{\textbf{Gross profit}}{\textbf{Sales}} \text{ X } 100\% = \ldots\ldots\ldots\%\text{times}$$

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

B. NET PROFIT MARGIN

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

$$\text{Net profit margin} = \frac{\textbf{Net profit}}{\textbf{Sales}} \text{ X}100\% = \ldots\ldots\ldots\text{times}$$

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

C. RETURN ON TOTAL ASSETS

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

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

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

D. RETURN ON CURRENT ASSETS

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

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

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

3.6.4 ACTIVITY RATIO

Activity ratio is including the following ratios.

A. INVENTORY TURNOVER RATIO

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

$$\textbf{Inventory turnover ratio} = \frac{\textbf{Sales}}{\textbf{Inventories}} = \dots\dots\%$$

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

B. RECEIVABLES TURNOVER RATIO

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

$$\textbf{Receivables turnover ratio} = \frac{\textbf{Debtors (receivables)}}{\textbf{Total sales}} = \dots\dots\%$$

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

C. AVERAGE COLLECTION PERIOD

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

$$\textbf{Average Collection Period} = \frac{\textbf{Days in a year}}{\textbf{Debtor Turnover Ratio}} = \dots\dots\textbf{Day}$$

Shorter the collection period is better for the concerned firm.

D. FIXED ASSET TURNOVER RATIO

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

$$\text{Fixed assets Turnover ratio} = \frac{\text{Sales}}{\text{Net Fixed Assets}} = \ldots\ldots\ldots\text{Times}$$

Net fixed Assets= Total Assets-Depreciations

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

E. TOTAL ASSETS TURNOVER RATIO

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

$$\text{Total assets turnover ratio} = \frac{\text{Sales}}{\text{Total Net Assets}} = \ldots\ldots\ldots\text{Times}$$

Where,

Total Net Assets= Current Assets Fixed Assets+ Intangible assets(-)Less Depreciations Write off.

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

F. NETWORKING CAPITAL TURNOVER RATIO

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

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

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

3.6.5 CASH FLOW ANALYSIS

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

3.6.6 TREND ANALYSIS

Trend analysis is a powerful financial tool to know the financial position of the firm. In this research work, trend percentage is calculated treating from fiscal year 2057/58 as base year.

3.7 STATISTICAL METHODS

In spite of statistical analysis, the mean, correlation coefficient, bar graph and probable error are used to analyze the J.Bs. Product(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 dividing this total by no. of items observed. 'Average provides us the gist and gives a bird's eye view of the huge mass of unwieldy numerical data.'23

It can be computed by using following formula.

$$\overline{X} = \frac{\sum X}{N}$$

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

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

3.7.3 CORRELATION ANALYSIS

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

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

Where,
r= correlation between dependent and in depended variables
N= No of observation.

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

3.7.4 PROBABLE ERROR

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

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

Pe = probable error

R   = correlation between two variables
N = no of observations

If the correlation r is less than pe, it is not all significant and if r is more than pe than, there is correlation. If r is more than 6 times of pe then the relation is considered as significant.

Chapter-IV
PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

The main objective of this is study is 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 anslysed in this chapter this chapter deals about the actual study of working capital structure of J.Bs products(s) Pvt.Ltd to evaluate analyse and interpret the working financial audited reports from liquidity, turnover position and profitability position with the helps of ratio analysis as well as various financial tools and statistical stool .

4.1.1 ANALYSIS OF CURRENT ASSETS

The main component of the business is current assets, which are needed to run day-to-day business activities .The total sum of current assets is known as gross working capital. The current Assets are differ to the amount of working capital needed and the size of the enterprises.

The sum of cash, marketable bills receivable inventories is the requirements of each and every organization to operate the organizations day-to-day operation smoothly. Sum of these assets are regarded as current assets .In these words, the assets or the source of capital which are converted into cash within an accounting period usually a year of the business? In summary "Those assets which are expected to be realized in cash within relatively short period of time usually one year are current assets.

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

Any business organization aims to maximum return on shareholder investment. In order to accomplish objective, the business organization should earn sufficient returns for its operation earning a steady amount of profit requires successful sales .So the firm has to invest enough funds in current assets for the success of assets. As the sales do not

convert into cash instantly the extra amount of working capital is needed.

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

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

Table-1
J.Bs Product(S) Pvt.Ltd
Analysis of current Assets

Particulars	059/60	060/61	061/062	062/063	063/064
Inventories	52,58,362	51,24,041	70,50,497	86,21,873	99,92,633
Percentage on current assets	(86%)	75.64%	76.19%	73.67%	83.27%
Sundry Debtors	6,13,735	14,50,099,	19,87,254	26,63,363	17,13,096
Percentage on current assets	(10%)	24.4%	21.48%	22.76%	14.27%
Cash in hand and bank	1,40,970	77,902	49,523	1,53,314	69,098
Percentage on current assets	2.350%	115%	0.535%	1.31%	0.575%
Prepaid Express	84,500	1,22,500	1.65.505.	2,64,256,	2,15,374
Percentage on current assets	1.45%	1.81%	1.79%	2.26%	1.79%
Total in Amount `	60,97,569	6774543	9252781	11702908	12000201
Total percentage	100%	100%	100%	100%	100%

Source: Appendix A

The above table-1 shows the current assets position of J.Bs product(s) Pvt.Ltd .this table shows the investment pattern in current assets and inventories and sundry debtors' have been founded major in comparison with bank and cash and prepaid and sometimes investment

made on inventories is higher and sometimes investment made in sundry debtors is higher . Investment on cash and Bank balance is one third in previous 2 years then, investment made on prepaid express keeps the 3 rd position.

The percentage share of inventories in total current assets indicates that is increase and decreasing that is fluctuation .The percentage of inventories in 063/064 seems maximum and in 060/061 seems minimum the higher percentage indicates the low inventories turnover ratio and vice versa .

Sundry debtors occupy other major investments made on current assets .It is also in fluctuating trends in previous three year and decreasing in last 2 years. The increasing volumes indicate the large sales and low volume of debtors indicates the comparatively low sales volume. It shows inefficiency in first 3 years and in last 3 years the firm is able to collect the debtors. It is decreasing the risk on the firm in last 3 years.

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

Prepaid expenses are a major investment made on current assets .It is increasing in trend from last 3 year. The higher percentage of prepaid indicates the favorable condition to the firm.
In conclusion current assets of J.Bs product(S) Pvt Ltd are in increasing trend

The extent of the component of current assetscan shown in the bar graph as below.
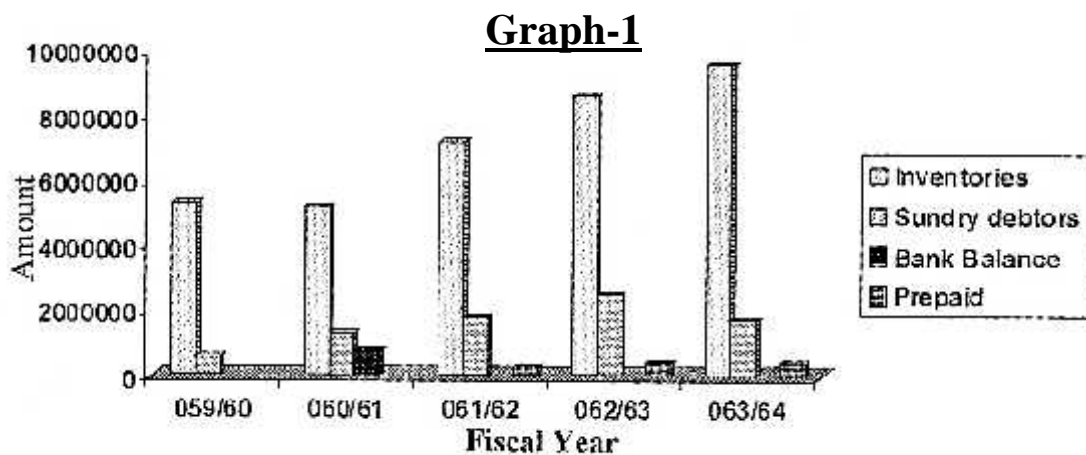
Graph-1

From this graph, we know that the firm has invested more inventories and Sundry debtor (receivables). In the year 059/060, sundry debtors are more than other current assets. At the last year of study period, it invested more on inventories in comparison with other current assets.

4.2 STRUCTURE OF WORKING CAPITAL
It is analyzed by the help of following ratio:

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

Table-2

J.Bs Product(s) Pvt.Ltd

Percentage of current assets to total assets Ratio

Year	Current Assets (CAs)	Total Assets (TAs)	Ratio(%)	Change (%)
059/060	60,97,569	71,24,019	85.59	-
060/061	6774543	7671356	88.31	2.72
061/62	9252781	10192390	90.78	2.47
062/63	11702908	13477282	86.83	3.97
063/064	12000201	15999394	75	11.83
Total	45828002	54464441	426.51	
Average	9165600.4	10892888.2	85.302	

Source: Appendix: A

This ratio represent the proportion of current assets of investment to total assets investment of J.Bs product9s) pvt Ltd for selected five years study period .The above table (Table-2)   shows that the proportion of currents on total assets is in fluctuating trend . Current assets are increased by 2.72% in the year 060/61. The increasing trend shows that the firm invests more on sundry debtors and inventories in the increasing year and vice versa .In average 85.302 % are current assets on total assets

In an average there are 85.302% of Current assets on total assets high level of current assets indicate good liquidity position but it adversely affects the profitability of the company because idle money can earn nothing. The trend on the relationship   between   current assets and total assets in generally increasing and decreasing.
This can be presented in the Bar graph below

Graph-2
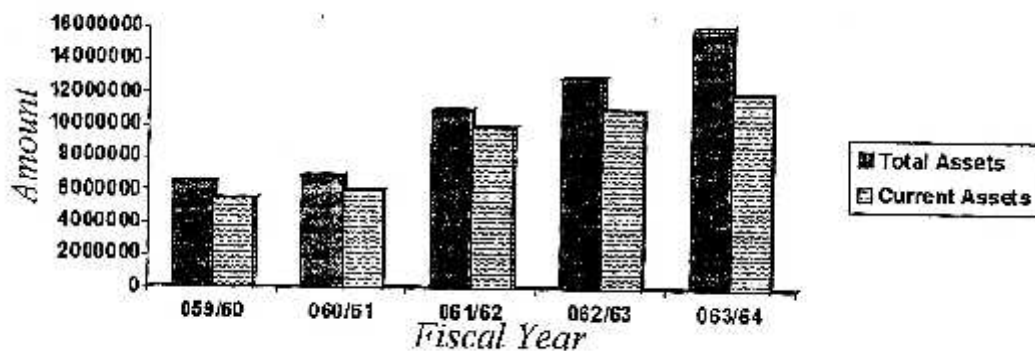
From this graph the current assets more then fixed assets. The firm has invested more on current assets. It indicates the liquidity position on the firm is better .From the year 059/60 to 063/64 the current assets is in increasing trend

In order to test relationship between current assets and total assets Kar Person's correlation coefficient ® is computed below.
.Computation Correlation coefficients®In order to test relationship betweenCurrent assets and total assets

Table 3

(Amount in Lakhs)

Year	Current Assets (X)	total Assets (Y)	x2	y2	X.Y
059/060	60.97	71.24	3717.34	5075.14	4343.50
060/061	67.75	76.71	4590	5884.42	5197.10
061/62	92.53	101.90	8561.80	10383.61	9428.81
062/63	117.02	134.77	13693.68	18162.9	15770.7

				5	8
063/064	120	159.99	14400	25596.8	191198.8
	x=458.27	y=544.61	x2=27395.16	y2=44962.82	x.y=17525.26

We know that,

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

$$r = \frac{5 \times 53938.99 - (458.27 \times 544.61)}{\sqrt{5 \times 28554 - (30\text{-}46)2} \text{ x } \sqrt{5 \times 1122.110 - (544.61)2}}$$

r = 097235

where as,

$$Pe = \frac{0.6745(1\text{-}r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1\text{-}(0.56)2\}}{5}$$
=0.0165

The correlation coefficient shows the correlation between current assets and total assets is signification and r is actually six times of pe, the relationship is to be signification

4.2.2 CURRENT ASSETS TO FIXED ASSETS

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

Table 4

J.Bs Product(s) Pvt.Ltd

Current assets to total assets Ratios

Year	Current Assets	fix Assets	Ratio(%)	Change (%)
059/060	60.97	10.26	594.25	-
060/061	67.75	8.97	755.29	161.04
061/62	92.53	9.39	985.41	230.12
062/63	117.02	17.74	659.64	325.77
063/064	120	39.99	300	359.64
Total	458.27	86.35	3294.59	-
Average	96.654	17.27	658.92	-

Source: Appendix: A

This ratio represents the investment made on current assets of fixed assets for the selected five years. The ration increased for first 2 years and decrease in 062/63. The overall ratio shows that investment in current assets in comparing with its fixed assets is favorable of J.Bs Product(s) Pvt.

This can be presented in the bar graph as below

Graph-3
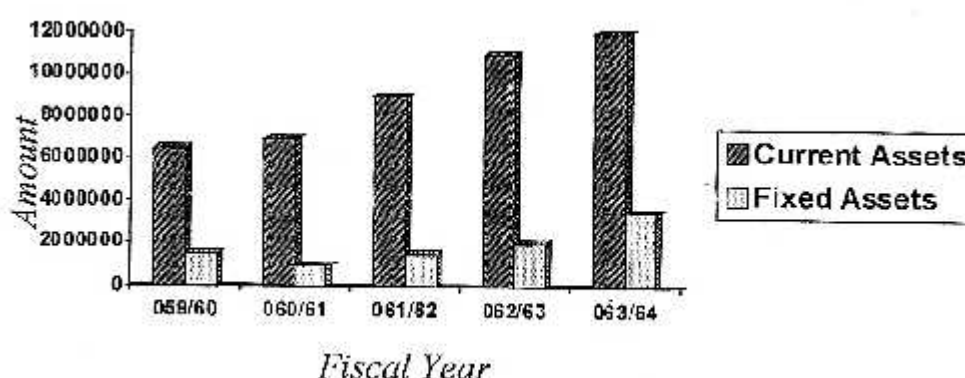
The investment made on fixed assets is lower in comparison with Current assets. It is more in year 063/64 and lower in year 059/060 .It is clear that firm is investing more in current assets than fix assets

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

Table 5
Computation Correlation coefficients®
In order to test relationship between
Current assets and total assets
(Amount in Lakhs)

Year	Current Assets (X)	Fixed Assets (Y)	X.Y	x2	y2
059/060	60.97	10.26	625.55	3717.34	105.27
060/061	67.75	8.97	607.72	4590	80.46
061/62	92.53	9.39	868.86	8561.80	88.17
062/63	117.02	17.74	2076.11	13693.68	314.71
063/064	120	39.99	4798.8	14400	1599.2
	x=458.28	y=86.351	x.y=8977.05	x2= 4524.49	y2= 8187.8

We know that,

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

$$r = \frac{5 \times 897705 - (458.28 \times 86.35)}{\sqrt{5 \times 28554 - (30\text{-}46)2} \times \sqrt{5 \times 1122.110 - (86.35)2}}$$

r = 0.7305

where as,

$$Pe = \frac{0.6745(1\text{-}r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1\text{-}(0.7305)2\}}{5}$$

=0.093

Correlation shows the correlation between Total current assets and fixed assets. r six times greater than of pe, So the relationship is signification

4.2.3 CASH AND BANK BALANCE TO CURRENT ASSETS

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

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Table 6
J.Bs Product(s) Pvt.Ltd
Cash and Bank Balance Current assets Ratio
(Amount in Lakhs)

Year	Cash and Bank	Current Assets	Ratio(%)	Change (%)
059/060	1.41	60.97	2.313	-
060/061	0.779	67.75	1.45	0.863
061/62	0.459	92.53	0.534	0.916
062/63	1.533	117.02	1.31	0776
063/064	0.790	120	0.658	0.652
Total	5.009	458.27	6.625	-
Mean	1.0014	96.654	1.253	-

Source: Appendix: A

The ratio is in fluctuating trend. In the year 061/62 the cash and bank balance is higher (i.e2.313) in comparison with other year of study period. From the year 061/62 the cash and bank balance minimum which shows the lower liquidity position of the industry .At the last year of study period it is only 0.65% .In total, it shows the poor cash and bank balance .

It can be presented in Graph as below:

Graah 4
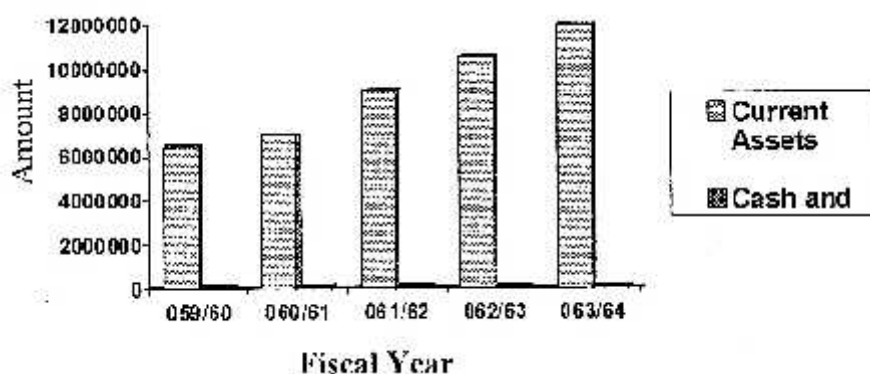
From this graph, it seems that the firm has investment little on cash bank balance. It is very low in amount then it cannot be shown in the above bar graph from the year 059/60 to 063/64.

To know the relationship Kar Person's correlation coefficient is computed

.

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

(Amount in Lakhs)

Year	Cash and Bank	Current Assets (X)	X.Y	X2	Y2
059/060	1.41	60.97	85.97	1.9881	3717.34
060/061	0.779	67.75	52.78	0.6068	4590
061/62	0.459	92.53	45.80	0.2450	8561.80
062/63	1.533	117.02	179.39	2.35	13693.68
063/064	0.790	120	94.80	0.6241	14400
	x=5.007	y=558.27	x.y=458.74	x2=5.81139	y2=44962.88

We know that,

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

$$r = \frac{5 \times 458.74 - (5.007 \times 588.27)}{5 \times 5.8139 - (5.007)2 \ x \ \ 5 \times 44962.88 - (458.74)2}$$

$$= \frac{2.35}{1.9998 \times 119.88}$$

r = 0.0098

where as,

$$Pe = \frac{0.6745(1 - r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.0098)2\}}{5}$$

=1.6744

The Correlation is positive between current assets to Cash and Bank Balance but the relation is not signification because r is not six time greater than of pe.

4.2.4 CASH AND BANK BALANCE TO TOTAL ASSETS

For transactional motive, precautionary and speculative motive cash is hold by any firm So, the daily requirement should be maintained by Cash and bank balance .The table -8 presents the proportion of cash and bank balance to total assets.

Table 8
J.Bs Product(s) Pvt.Ltd
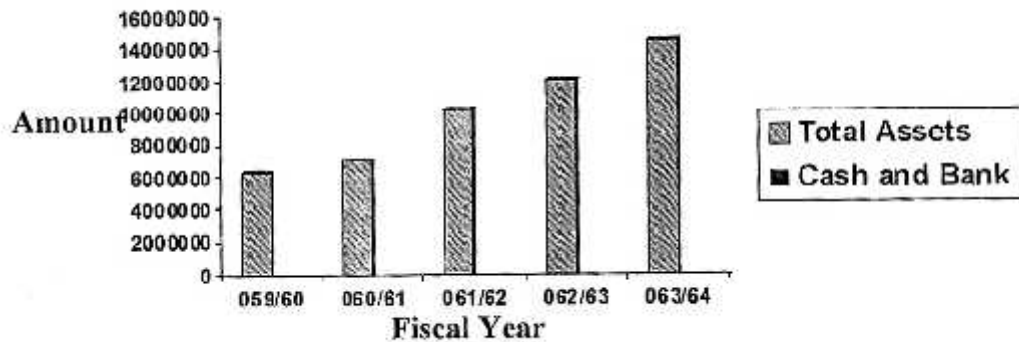Analysis of cash and bank balance to total assets Ratio

(Amount in Lakhs)

Year	Cash and Bank	Total Assets	Ratio(%)	Change (%)
059/060	1.41	71.24	1.98	-
060/061	0.779	76.71	1.015	0.965
061/62	0.459	101.90	0.4857	0.5293
062/63	1.533	134.77	1.137	06513
063/064	0.790	159.99	0.4937	06433
Total	5.009	544.61	5.1114	-
Means	1.0014	108.922	1.0222	-

Source: Appendix: A

The trend is in decreasing because investment made in current assets and fixed assets are increasing .. In this way, the company bought products on cash. In the year 059/60, the ratio is 1.98% which is highest and the ratio is in the year 061/62 is .48% which is lowest. This can be shown in bar graph here under

Graph-5

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

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

Table 9
Computation Correlation coefficients®
In order to test relationship between
Cash and Bank Balance to Total assets

(Amount in Lakhs)

Year	Cash and Bank (X_	Total Assets (Y)	X.Y	X2	Y2
059/060	1.41	71.24	100.45	1.9881	5075.14
060/061	0.779	76.71	59.76	0.6068	5884.42
061/62	0.459	101.90	50.44	0.2450	10383.61
062/63	1.533	134.77	206.60	2.35	18162.95
063/064	0.790	159.99	126.39	0.6241	25596.80
	x=2.69	y=544.61	x.y=5433.64	x2=5.814	y2=65102.9

Source: Appendix: A

We know that,

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

$$r = \frac{5 \times 543.64 - 2.69 \times 544.61}{5 \times 5.814 - (2.69)2 \ x \quad 5 \times 65102.9 - (544.61)2}$$

r = 1.57

where as,

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(1.57)2\}}{5}$$

=0.96

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

4.2.5 RECEIVABLES TO CURRENT ASSETS

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

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

Higher degree of receivable results unnecessary holding of working capital allow degree causes negative result in sales .The following table shows the proportion of debtors to the current assets.

. **Table 10**

J.Bs Pvt.Ltd
Receivable Current assets

(Amount in Lakhs)

Year	Receivable	Current Assets	Ratio(%)	Change (%)
059/060	0.845	60.97	1.3859	-
060/061	1.225	67.75	1.8081	0.4222
061/62	1.655	92.53	1.7891	0.019
062/63	2.6435	117.02	2.2590	0.4699
063/64	2.1537	120	1.7947	0.4643
Total	8.5222	458.27	9.03685	-
Mean	1.7044	91.654	1.8074	-

Source: Appendix: A

From the above table, the ratio on receivables to current assets is fluctuating in trend. The highest ratio is in the year 2062/63 which is 2.26% and in the year 2061/62, it is 1.81%. In the first year of the study period i.e.2059/60, it is decreased and becomes 1.38%. It indicates that the firm is decreasing the receivables.

This can be shown in the bar graph here under.
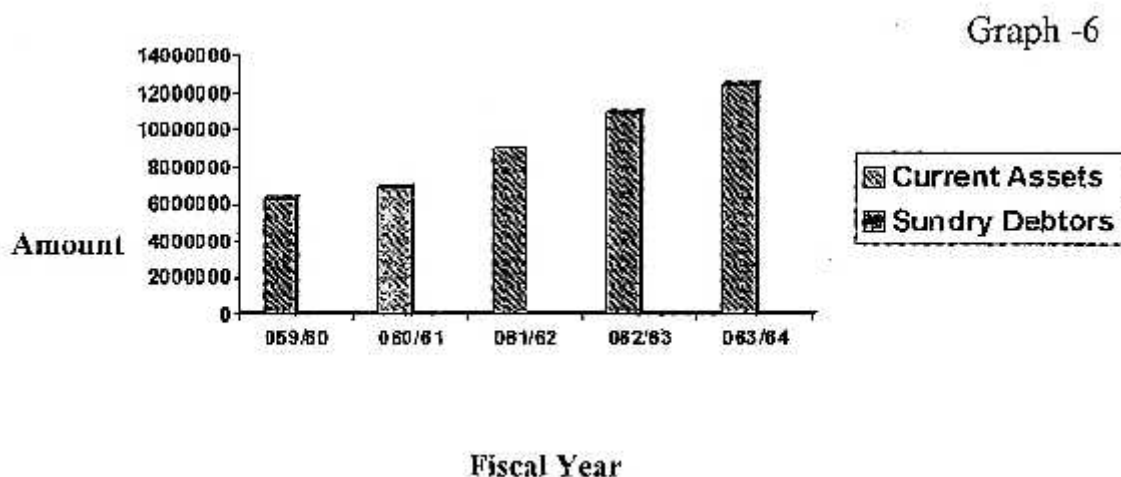
From this figure, we know the investment made on receivables by current assets. It is greater in the year 2062/63 and lowers in the

year 2059/60. it is increased in as well as decreased other time. So, it is in fluctuating trend.

To know the relationship between current assets and receivables can illustrated by Kar Person's correlation coefficient. It is in the table below.

Table 11
.Computation Correlation coefficients®
In order to test relationship between
Receivables to current assets

(Amount in Lakhs)

Year	Current assets(x)	Receivables (Y)	X.Y	X2	Y2
059/060	60.97	0.845	51.52	3717.34	0.7140
060/061	67.75	1.225	82.99	4590.062	1.5006
061/62	92.53	1.655	113.35	8561.80	2.739
062/63	117.02	2.6435	309.34	13693.7	6.9880
063/064	120	2.1537	252.44	14400	4.6384
	x=458.27	y=8.5222	x.y=815.64	x2=44962.9	y2=16.5800

Source: Appendix: A

We know that,

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

$$r = \frac{5 \times 815.64 - 458.27 \times 8.5222}{5 \times 44962.9 - (458.27)2 \ x \ \ 5 \times 16.58 - (8.522)2}$$

r = 0.420

where as,

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(42)2\}}{5}$$

$$=0.067$$

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

4.2.6 INVENTORY TO CURRENT ASSETS

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

Table-12

J.Bs Pvt.Ltd

Inventory to Current assets Ratio

(Amount in Lakhs)

Year	Current Assets	Inventory	Ratio(%)	Change (%)
059/060	60.97	52.58	86.24	-
060/061	67.75	51.24	75.63	(10.61)
061/62	92.53	70.50	76.19	0.56
062/63	117.02	86.21	73.67	(2.56)
063/64	120	99.93	83.275	9.605
Total	458.27	360.46	395.005	-
Average	91.654	72.092	79.001	-

Source: Appendix: A

The above table shows the percentage of inventory with respect to current assets. In the fiscal year 2059/60 is 86.24% which is highest where as 73.67% in the year 2062/63 is lowest. The ratio is in the

fluctuating trend. Sometimes the firm use liberal policy. Sometimes it uses the tight inventory policy. Tight inventor policy can be seen in the year 2062/63 on which the ratio is only 73.67% which is low in comparison with other years of study period.

This can be shown in the bar graph below.
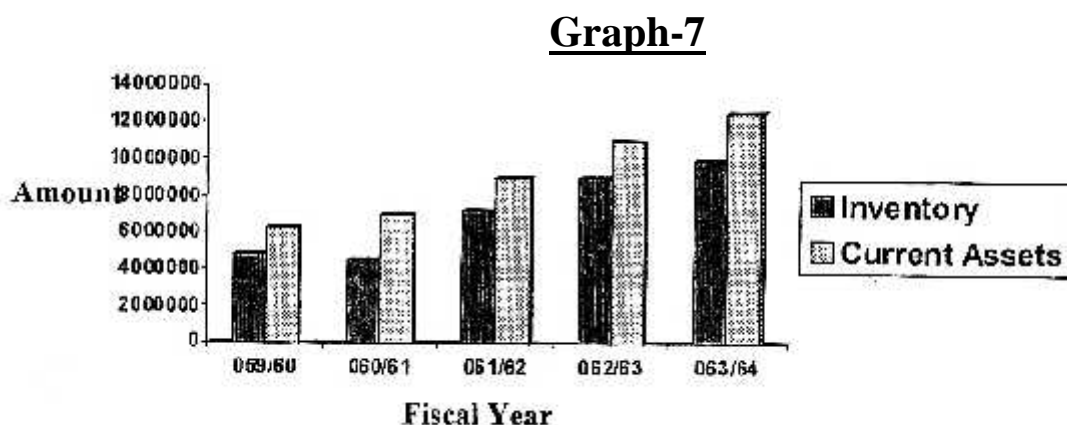
Graph-7

This bar graph shows the share of investment of the firm on inventories from current assets. It shows the heavier investment in the year 2059/60 and lowest investment in the year 2062/63. It is in increasing trend. Increasing investment on inventories shows the decreasing in the total assets.

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

Table-13
Computation Correlation coefficients®
In order to test relationship between
Inventory to Current Assets

(Amount in Lakhs)

Year	Current assets(x)	Inventory(Y)	X.Y	X2	Y2
059/060	60.97	52.58	3205.80	3717.34	2764.65
060/061	67.75	51.24	3471.51	4590.062	2625.54
061/62	92.53	70.50	6523.36	8561.80	4970.25

062/63	117.02	86.21	10088	13693.7	7432.16
063/064	120	99.93	11991.6	14400	9986
	x=458.27	y=360.46	x.y=35280.56	x2=44962.9	y2=23305.60

Source: Appendix: A

We know that,

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

$$r = \frac{5 \times 35280.56 - 458.27 \times 360.46}{5 \times 44962.9 - (458.27)2 \text{ x } 5 \times 23305.60 - (360.46)2}$$

r = 0.7962

where as,

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.7962)2\}}{5}$$

=0.1104

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

4.2.7 INVENTORY TO TOTAL ASSETS

Inventory is the major current assets of firm the. For the factory as J.Bs Pvt.Ltd must give importance to the inventory. The require amount of inventory should be kept which can maintain good relation to the customers. If the stock increases, it creates problem to the factory to keep it and lower inventory cannot fulfil the demand of the customers at heavy demand. So it should be optimum for the firm can use different models for optimum inventory management model for this purpose.It can be presented bythetable:

Table-14
J.Bs Pvt.Ltd
Inventory to Total assets Ratio
(Amount in Lakhs)

Year	Inventory	Total assets	Ratio(%)	Change (%)
059/060	52.58	71.24	73.81	-
060/061	51.24	76.71	66.79	(7.02)
061/62	70.50	101.90	69.185	2.395
062/63	86.21	134.77	63.97	(5.215)
063/64	99.93	159.99	62.46	1.51
Total	360.46	544.61	336.22	-
Average	72.092	108.92	67.24	-

Source: Appendix: A

The above table shows the proportion of investment on inventory from total .assets. The ratio in the year 2059/60 is highest i. e.73.81% and the year 2063/64 i.e.62.46%is lowest . In this way, the factory is investing more on inventory .So, the factory is not maintain 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 under.
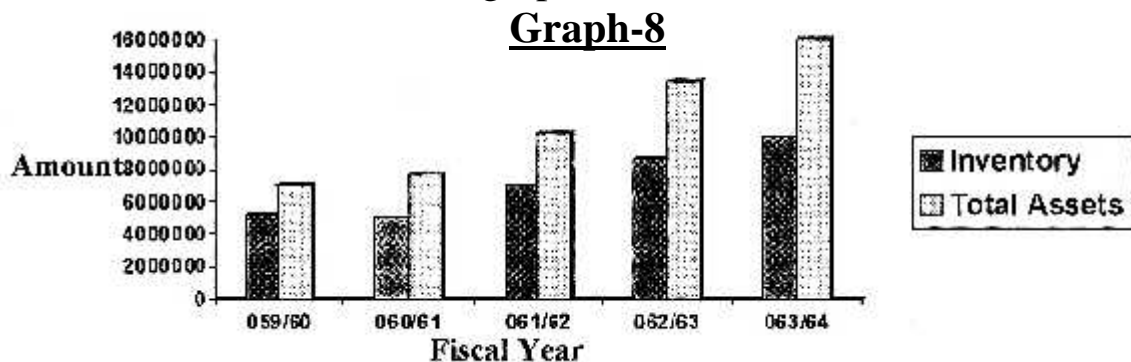
Graph-8

This bar graph shows the share of investment of the firm on inventories from current assets. It shows the heavier investment on inventory on the the year 2063/64 and lowest investment in the year 2060/61. It is in increasing trend. Increasing investment on inventories 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 calculated below.

Table-15

Computation Correlation coefficients®

In order to test relationship between

Inventory to Total Assets

(Amount in Lakhs)

Year	Current assets(x)	Inventory(Y)	X.Y	X2	Y2
059/060	52.58	71.24		1.9881	5075.14
060/061	51.24	76.71		0.6068	5884.42
061/62	70.50	101.90		0.2450	10383.61
062/63	86.21	134.77		2.35	18162.95
063/064	99.93	159.99		0.6241	25596.80
	x=360.46	y=544.61	x.y=543.64	x2=5.814	y2=65102.9

Source: Appendix: A

We know that,

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

$$r = \frac{5 \times 4266.38 - 360.46 \times 544.61}{\overline{5 \times 233055.6 - (360.46)2} \times \overline{5 \times 65102.9 - (544.61)2}}$$

r = 0.8139

where as,

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.8139)2\}}{5}$$

=0.097

The relationship berween inventories to total assets is significant because r is six times greater than pe.

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.,it can presented in .

Table-16
J.Bs. Pvt. Ltd.
Analysis of Networking Capital or Working Capital financing

(Amount in lakhs)

Year	Current Assets(A)	Current Liabilities(B)	Net Working Capital(A-B)
059/60	60.97	23.92	37.05
060/61	67.75	27.22	40.53
061/62	92.53	47.56	44.97
062/63	117.02	73.33	43.87
063/64	120	92.59	27.41

Source: Appendix A

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

4.3 LIQUIDITY POSITION

Liquidity means the ability of the firm to meet the obligation in short period. Each and every firm should maintain the liquidity in order to face the current obligation. So, it is the pre-requisite of any firm. In other words, liquidity should maintain efficient management of current assets and current liabilities. Excess of liquidity is so danger for the firm or the very high liquidity can brings great risk to the firm.

4.3.1 CURRENT ASSETS

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

Table-17

J.Bs. Pvt. Ltd.

Current assets to current liabilities

(Amount in lakhs)

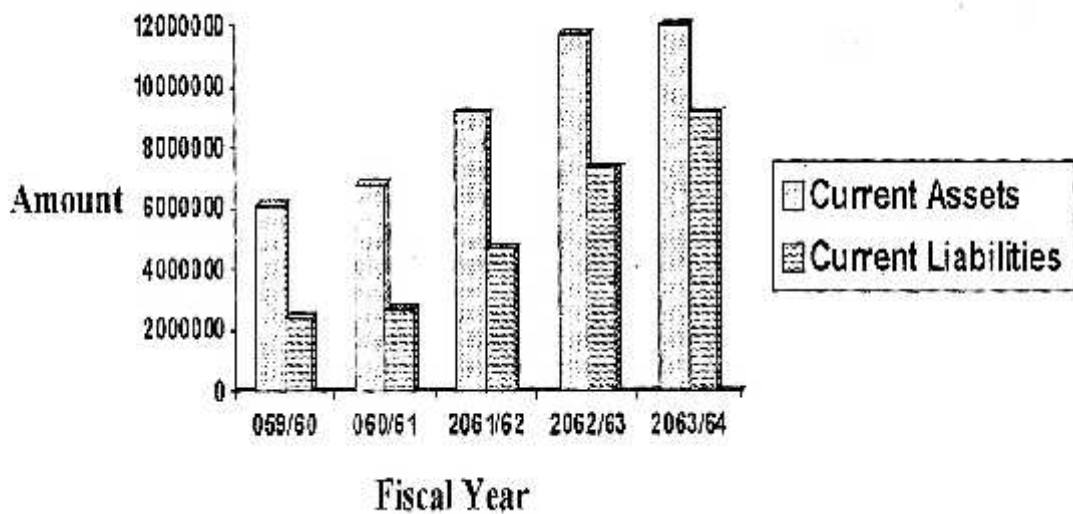| Year	Current Assets	Current Liabilities	Ratio
059/60	60.97	23.92	2.548
060/61	67.75	27.22	2.4889
061/62	92.53	47.56	1.9455
062/63	117.02	73.33	1.5982
063/64	120	92.59	1.2960
Total	458.27	264.62	9.8766
Average	91.654	52.924	1.9753

Source: Appendix A

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

Current ratio2:1 is said to be optimal. It measures rupees to of current assets should available for a rupee of current liability. It is also said that if the current ratio of the firm is less than 2:1, the liquidity of the firm is not efficient. If it is more than 2:1, then the firm has invested more in current assets. Idle current assets do not produce more return which blocks the profit ability of firm.

From the table19, in the first year . the firm can maintain more liquidity which is not favorable for the firm. That is why excess current assets 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 graphs below.

Graph-9

Fiscal Year

Above bar graphs shows that the firm has excessive current assets, it should be managed in better way in coming year.

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

Table-18

J.Bs. Pvt. Ltd.

Current assets to current liabilities

Amount in lakhs)

Year	Current Assets(x)	Current Liabilities(Y)	x.y	X2	Y2
059/60	60.97	23.92	1458.40	3717.34	572.17
060/61	67.75	27.22	1844.16	4590	740.93
061/62	92.53	47.5 6	4400.16	8561.80	2261.96
062/63	117.02	73.33	8581.97	13693.68	5377.29
063/64	120	92.59	11110.80	14400	8572.91
Total	$\sum X$ = 458.27	$\sum Y$ = 264.62	$\sum X.Y$ =273 95.16	$\sum$ X2= 44962.82	$\sum$ Y2= 17525.26

Source: Appendix A

We know,

$$r = \frac{N\sum XY - \sum X \cdot \sum Y}{\sqrt{N \cdot \sum X^2 - \left(\sum X\right)^2} \sqrt{N\sum Y^2 - \left(\sum Y\right)^2}}$$

$$r = \dfrac{5 \times 27395.16 - 458.27 \times 264.62}{\sqrt{5 \times 44962.8 - (458.27)}2 \ \times \ \sqrt{5 \times 17525.26 - }\ (264.62)2}$$

$$r = 0.973$$

Where as,

$$Pe = \dfrac{06745(1\text{-}r2)}{\sqrt{N}}$$

$$= \dfrac{0.6745\{1\text{-}(0.973)2\}}{\sqrt{5}}$$

$$= 0.015$$

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

4.3.1 QUICK/ ACID TEST RATIO

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

Table No. 19
J.Bs. Pvt. Ltd.

Quick Assets to Current Liabilities Ratio

(Amount in lakhs)

Year	Quick Assets	Current Liabilities	Ratio
059/60	8.39	23.92	0.3507
060/61	16.51	27.22	0.6065
061/62	22.03	47.56	0.46320
062/63	30.81	73.33	0.4201
063/64	20.07	92.59	0.2167
Total	97.81	264.62	2.0572
Average	19.562	52.924	0.4114

Source: 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 fluctuating in current assets. Previous four year the firm is able to meets its obligation in which the ratio is 0.2167 but its standard is 1:1. So the management should take step to reduce inventory and maintain its standard 1:1.

This can be show in the bar graph below.

Graph-10
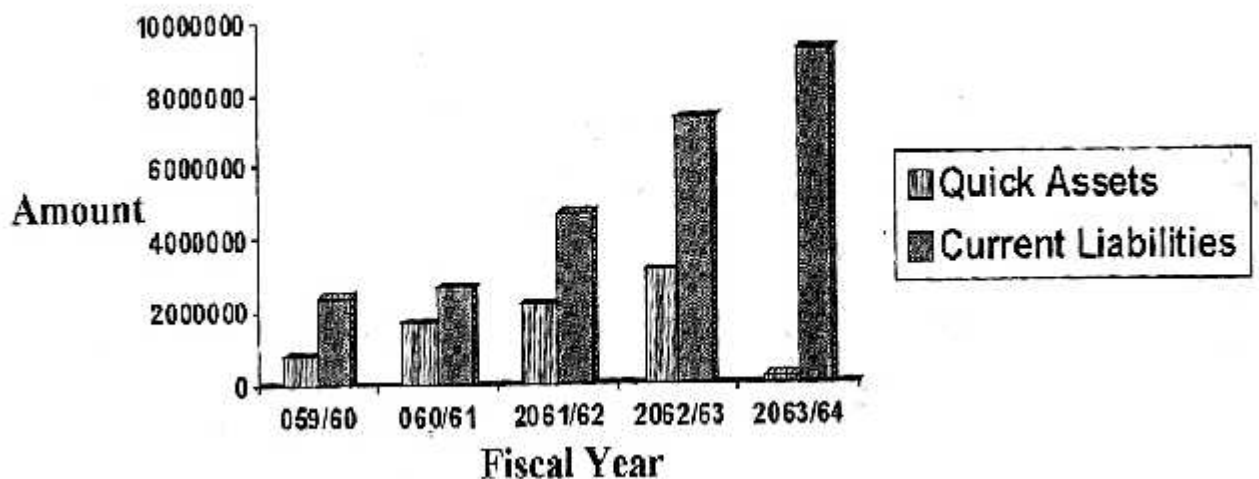
Above bar graph show that the investment of the firm on quick assets and current liabilities.

To know the relationship Karl Pearson's correlation coefficient should be calculated

Table 20

Computation of Correlation Coefficient

Quick Assets to Current Liabilities

(Amount in lakhs)

Year	Quick Assets(x)	Current Liabilities(y)	x.y	X2	Y2
059/60	8.39	23.92	200.68	70.39	572.17
060/61	16.51	27.22	449.57	272.58	740.93
061/62	22.03	47.56	1047.75	485.32	2261.96
062/63	30.81	73.33	2259.29	949.26	5377.29
063/64	20.07	92.59	1857.68	402.80	8572.91
	$\sum X = 97.81$	$\sum Y = 264.62$	$\sum X.Y = 5814.97$	$\sum X2 = 2180.35$	$\sum Y2 = 17525.26$

Source: Appendix A

We know,

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

$$r = \frac{5 \times 5814.97 - 97.81 \times 264.62}{\sqrt{5 \times 2180.35 - (97.81)^2} \times \sqrt{5 \times 17525.26 - (264.62)^2}}$$

r = 0.658

where as,

$$Pe = \frac{06745(1\text{-}r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1\text{-}(0.973)2\}}{\sqrt{5}}$$

=0.1710

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

4.4.1 INVENTORY TURNOVER RATIO

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

It measures the velocity of conversation of stock into sales. A high ratio indicated efficient management of inventory because more frequently the stocks are called the lesser amount of capital is required to finance the inventory. The lower ratio indicates the heavier amount of inventory. So the firm finances more to hold the inventory.

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

### Table 21
J.Bs. Pvt. Ltd.
Inventory to Sales Ratio

(Amount in lakhs)

Year	Inventory	Sales	Ratio %	Change %
059/60	52.58	108.53	48.68	-
060/61	51.24	127.52	40.18	(8.5)
061/62	70.50	157.93	44.64	4.46
062/63	86.21	189.67	45.45	0.81
063/64	99.93	168.45	59.32	13.87
Total	360.46	752.10	238.27	-
Average	72.092	150.42	47.65	-

Source: Appendix A and B

The inventory to sales ratio is in fluctuating trend in this table . The firm is able to manage efficiently its stock from the year 2061/62 because the ratio is in increasing trend. The firm invested more on stock in 2060/61, where the atock turnover ratio is low i.e. 40.18% . The firm should manage the stock turnover ratio for efficient result. This can be shown in the bar graph below.

Graph-11
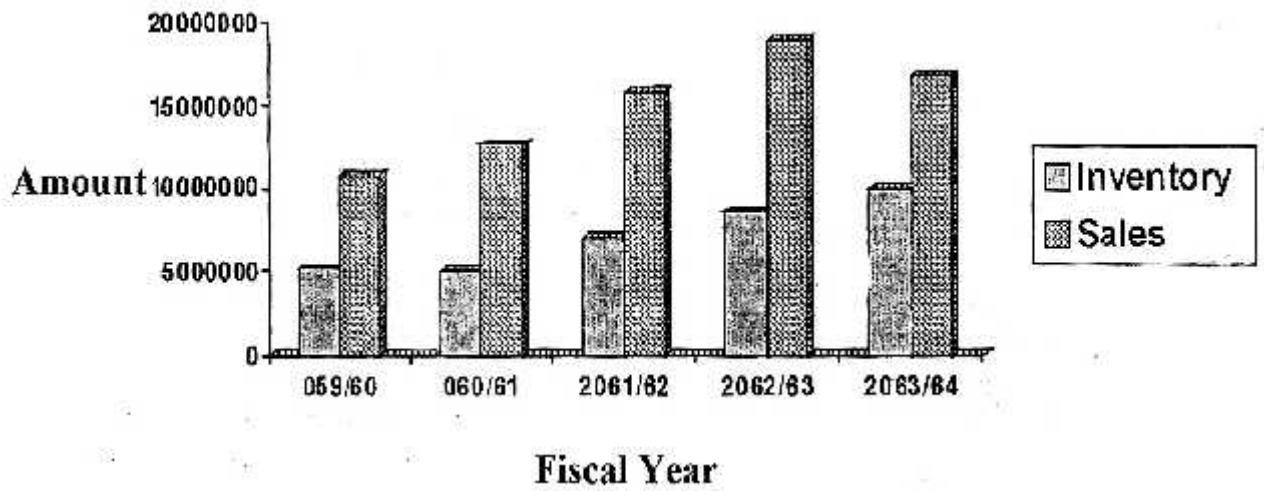
Above bar graph shows the proportion of sales to inventory. In the year
2063/64 the inventory is higher than other years. And it is lower in the year 2060/61.

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

Table 22
Computation of Correlation Coefficient®
Inventory to Sales
(Amount in lakhs)

Year	Inventory(x)	Sales(y)	x.y	X2	Y2
059/60	52.58	108.53	5706.76	2764.65	11778.76
060/61	51.24	127.52	6534.12	2625.54	16261.35
061/62	70.50	157.93	11134.06	4970.25	24941.88
062/63	86.21	189.67	16351.45	7432.16	35974.71
063/64	99.93	168.45	16883.20	9986.00	28375.40
	$\sum X =$ 360.46	$\sum Y$ =752.10	$\sum X.Y$ =56559.3	$\sum X2$=27778.60	$\sum Y2$=117332.1

Source: Appendix A

We know,

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

$$r = \frac{5 \times 56559.3 - 360.46 \times 752.10}{\sqrt{5 \times 2778 - (360.46)^2} \times \sqrt{5 \times 17525.26 - (752.10)^2}}$$

r = 0.85

Where as,

$$Pe = \frac{06745(1-r^2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.85)^2\}}{\sqrt{5}}$$

=0.080

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

4.4.2 DEBTORS TO TOTAL SALES RATIO

In order to calculate the debt collection velocity of firm, debtors to total sales ratio should be calculated .In other words, debtors to total sales indicate 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. To know the management of debtors is J.Be Pvt. Ltd. the table is presented below .

<div align="center">

Table 23

J.Bs. Pvt. Ltd.

Debtors to Sales Ratio

</div>

<div align="right">

Amont in lakhs

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Year	Debtors	Sales	Ratio %	Change %
059/60	6.14	108.53	5.60	-
060/61	14.50	127.52	11.37	5.71
061/62	19.87	157.93	12.58	1.21
062/63	26.63	189.67	14.040	1.82
063/64	17.13	168.45	10.17	(3.87)
Total	84.27	752.10	53.82	-
Average	16.854	150.42	10.76	-

Source: Appendix A and B

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

This can be show in the graph below.

<div align="center">

Graph-12

</div>
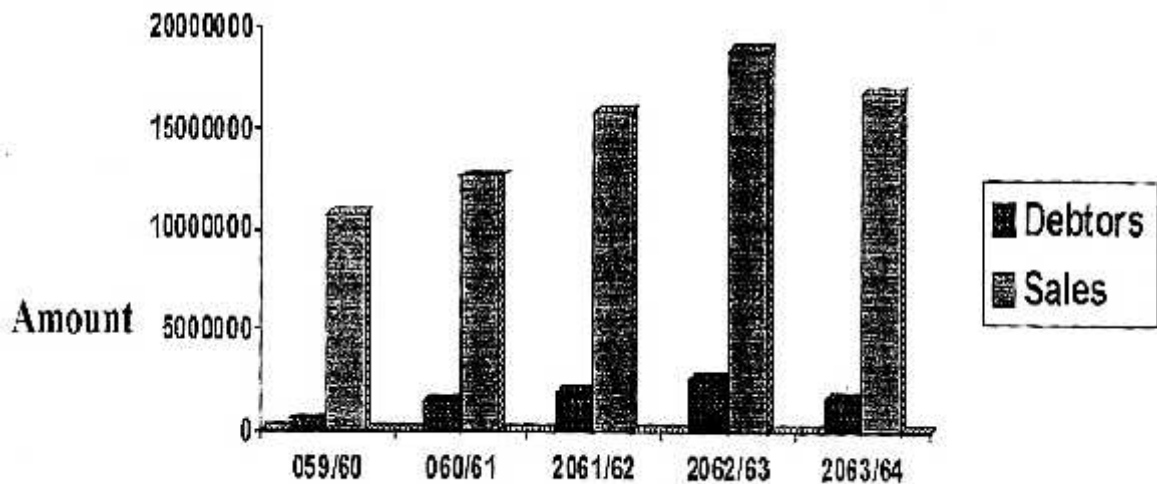
The above bar graph shows the amount of debtors and sales. From this figure, sales is increasing in all the study period but decrease in the last year 063/64, as well as the debtors is in increasing up to the year 2062/63. it is decreased in the year 063/64.

To know the relationship between debtors and sales can be shown by the karl Pearson's correlation coefficient below in the table-26.

Table-24

Computation of Correlation Coefficient®

Debtors to Sales

(Amount in lakhs)

Year	Debtors (x)	Sales(y)	x.y	X2	Y2
059/60	6.14	108.53	666.37	37.69	11778.76
060/61	14.50	127.52	1849.04	210.25	16261.35
061/62	19.87	157.93	3138.06	394.82	24941.88
062/63	26.63	189.67	5050.91	709.16	35974.71
063/64	17.13	168.45	2885.55	293.44	28375.40
	$\sum X =$ 84.27	$\sum Y =$752.10	$\sum X.Y =$13589.90	$\sum$ X2=16 45.36	$\sum$ Y2=11 7332.10

Source: Appendix A

We know,

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

$$r = \frac{5 \times 13589.90 - 84.27 \times 752.10}{\sqrt{5 \times 1645.36 - (84.27)^2} \times \sqrt{5 \times 17525.26 - (752.10)^2}}$$

r = 0.94

where as,

$$Pe = \frac{06745(1-r2)}{\sqrt{N}}$$

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

=0.034

Therefore pe is six times less than r. so, the relationship between debtors and sales is significant.

4.4.3 AVERAGE COLLECTION PERIOD

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

Table-25

J.Bs. Pvt. Ltd.

Calculation of Average Collection Period

(Amount in lakhs)

Year	Days in year	DTR	Average collection Period(in days)
059/60	360	0.0566	6353
060/61	360	0.1137	3166
061/62	360	0.1258	2862
062/63	360	0.14	2571
063/64	360	0.10	3600

Source: Appendix A and B

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 big bit lower in year 2062/63 but it is decreasing up to the year 062/63 from the year 059/60.

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 the fixed assets turnover rat
J.Bs. Pvt. Ltd. id presented below.

Table 26

J.Bs. Pvt. Ltd.
Fixed Assets to Sales Ratio

(Amount in lakhs)

Year	Fixed Assetsy	Sales	Ratio
059/60	10.26	108.53	10.58
060/61	8.97	127.52	14.22
061/62	9.39	157.93	16.82
062/63	17.74	189.67	10.69
063/64	39.99	168.45	4.21
Total	86.35	752.10	56.53
Average	17.27	150.42	11.30

Source: Appendix A and B

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

This can be shown in the graph below.

Graph-13
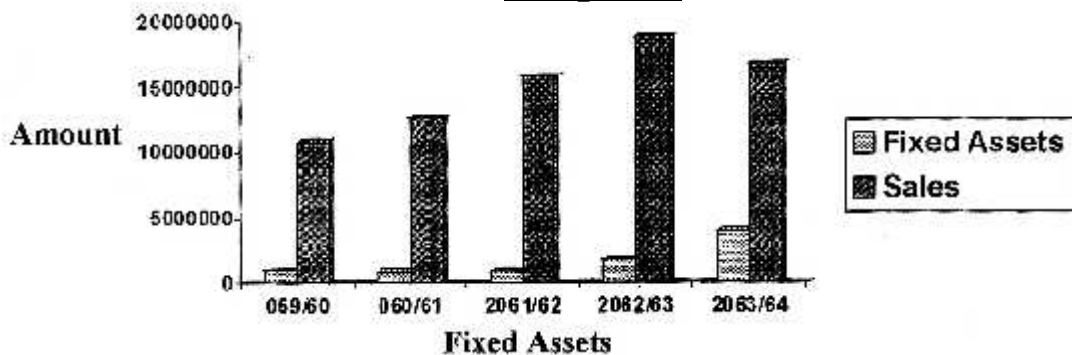
The above bar graph shows the fixed assets and sales. The sales are very high in comparing to fixed asset. The investment in the fixed assets is in increasing trend. It shows the firm is investing more on current assets. The sales are in increasing trend in last year of the study period.

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

Table 27

Computation of Correlation Coefficient®
Fixed Assets to Sales

(Amount in lakhs)

Year	Fixed Assets(x)	Sales(y)	x.y	X2	Y2
059/60	10.26	108.53	1113.52	105.27	11778.76
060/61	8.97	127.52	1143.94	80.46	16261.35
061/62	9.39	157.93	1482.96	88.71	24941.88
062/63	17.74	189.67	3364.75	314.71	35974.71
063/64	39.99	168.45	6736.32	1599.20	28375.40
	$\sum X$ =86.35	$\sum Y$ =752.10	$\sum X.Y$ =13841.48	$\sum$ X2= 2187.8	$\sum$ Y2=117332.1

Source: Appendix A

We know,

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

$$r = \frac{5 \times 13841.48 - 86.35 \times 752.10}{\sqrt{5 \times 2187.8 - (86.35)2} \times \sqrt{5 \times 17525.26 - (752.10)2}}$$

r = 0.51

where as,

$$Pe = \frac{06745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.51)2\}}{\sqrt{5}}$$

=0.21

Therefore the pe is less than r. so, the relation is existed 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 utilization of working capital. This also indicates the number of times the working capital is turnover in courses of times of the study period. To know the efficiency of working capital of J.Bs. Pvt. Ltd. is analyzed by the following table during the study period.

Table-28
J.Bs. Pvt. Ltd.
Calculation of Average Collection Period
(Amount in lakhs)

Year	Sales	Networking capital	Ratio
059/60	108.53	37.05	2.93
060/61	127.52	40.53	3.15
061/62	157.93	44.97	3.51
062/63	189.67	43.87	4.32
063/64	168.45	27.41	6.15
Total	752.10	193.83	20.06
Average	150.42	38.766	4.011

Source: Appendix A and B

The above table shows the networking capital turnover in the fiscal year 2059/60 is 2.93 and increased to the year 2063/64.
This can be shown in the bar graph below.

Graph-14
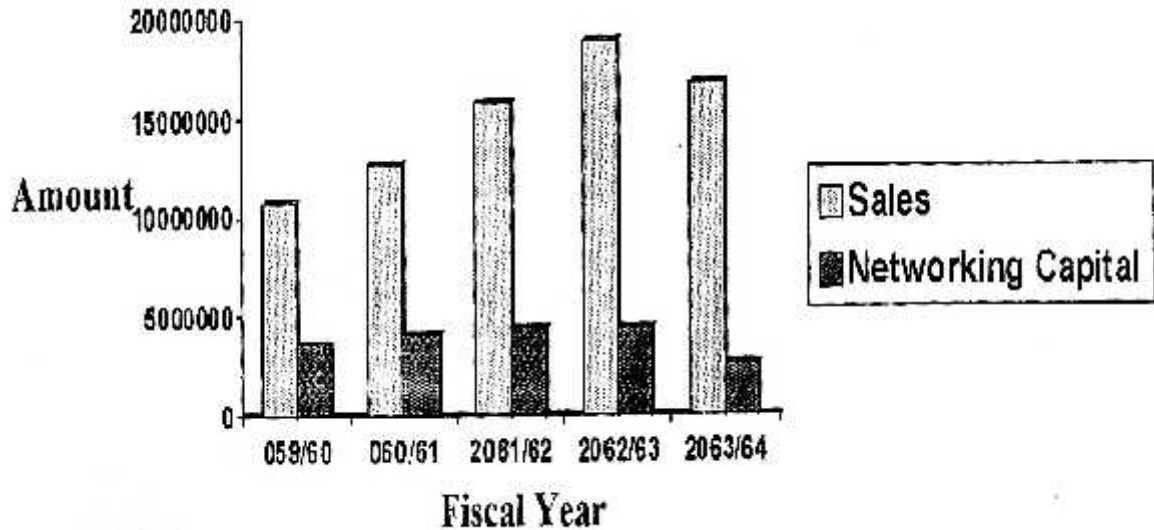
The above graph shows the networking capital comparing with sales. the networking capital is increasing up to year 2061/62 and decreased the value in the last two year. The sales and the networking capital both are in fluctuating trend.

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

Table-29

Computation of Correlation Coefficient®
Networking Capital to Sales

Year	Networking Capital(x)	Sales(y)	x.y	X2	Y2
059/60	37.05	108.53	4021.10	1372.70	11778.76
060/61	40.53	127.52	5168.38	1642.68	16261.35
061/62	44.47	157.93	7102.10	2022.30	24941.88
062/63	43.87	189.67	8320.82	1924.57	35974.71
063/64	27.41	168.45	4617.21	751.31	28375.40
	$\sum X$=193.83	$\sum Y$=752.10	$\sum X.Y$=29229.62	$\sum$ X2=7713.56	$\sum$ Y2=117332.1

Source: Appendix A and B

We know,

$$r = \frac{N\sum XY - \sum X\sum Y}{\sqrt{N.\sum X^2 - \left(\sum X\right)^2}\sqrt{N\sum Y^2 - \left(\sum Y\right)^2}}$$

$$r = \frac{5 \times 29229.62 - 193.83 \times 752.10}{\sqrt{5x7713.56 - (193.83)}2 \times \sqrt{5x17525.26 -} \ (752.10)2}$$

r = 0.08

where as,

$$Pe = \frac{06745(1\text{-}r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1\text{-}(0.08)2\}}{\sqrt{5}}$$

=0.01

The relation between networking capital and sales is positive in significant where as pe is six times lower than r.

4.4.6 TOTAL ASSETS TURNOVER RATIO

Total assets turnover ratio indicates the relation between total assets to sales. The total assets include current assets, fixed assets and intangible assets less depreciation and written off expenses. Higher the ratio indicates the proper utilization of available assets. It also helps to show firms ability of generating sales from the total financial resources available to the firm. Idle assets leads to lower assets turnover.

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

Table 30

J.Bs. Pvt. Ltd
Calculation of Average Collection Period

(Amount in lakhs)

Year	Total assets	Sales	Ratio
059/60	71.24	108.53	1.52
060/61	70.71	127.52	1.80
061/62	101.90	157.93	1.55
062/63	134.77	189.67	1.41
063/64	159.99	168.45	1.05
Total	544.61	752.10	7.33
Average	108.92	150.42	1.47

Sources: Appendix A and B

From the above calculation of the firm is able to maintain its assets turnover ratio in first two year. Then after the firm fails to manage efficiently its assets that are it fails to use assets properly.
This can be shown in the bar graph below.

Graph-15
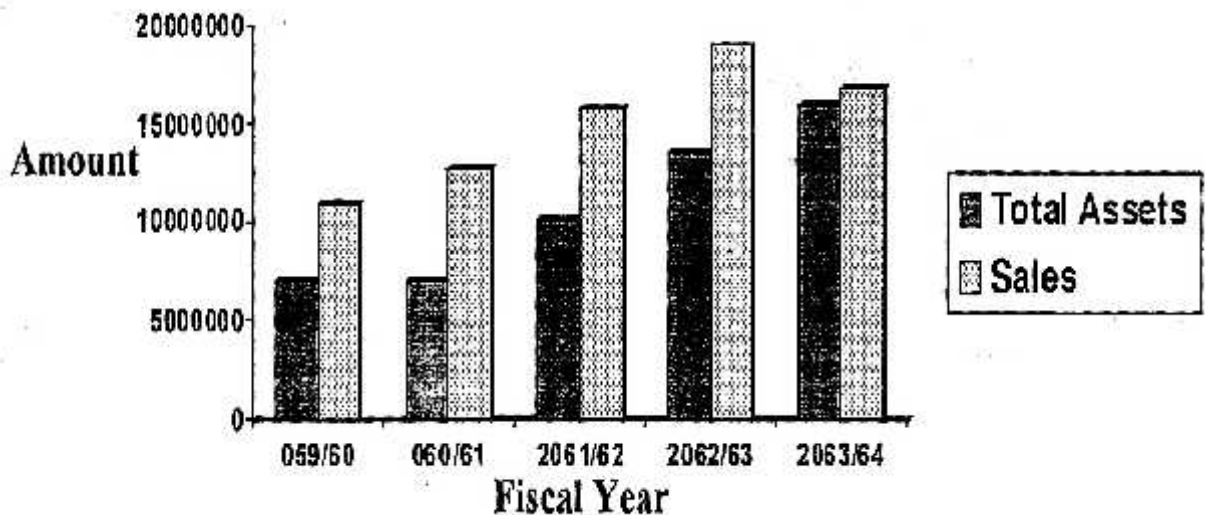
The graph is shown to know the proportional of total assets and sales. the total assets are in increasing trend from the year 2059/60 to 2063/64 but sales are increasing up to first four year and decreases in the year of the study period. In the last year 2063/64 the total

proportional of sales is very high in comparing with other year of study period.

To know the relationship between total assets and sales, Karl Pearson's correlation coefficient should be computed. It is computed in table-33 below.

Table 31

Computation of Correlation Coefficient®

Total to rest relationship between

Total Assets to Sales

(Amount in lakhs)

Year	Total assets(x)	Sales(y)	x.y	X2	Y2
059/60	71.24	108.53	7731.67	5075.14	11778.76
060/61	70.71	127.52	9016.94	5884.42	16261.35
061/62	101.90	157.93	16093.06	10383.61	24941.88
062/63	134.77	189.67	25561.5	18162.95	35974.71
063/64	159.99	168.45	26950.31	25596.80	28375.40
	$\sum X$ =544.61	$\sum Y$ =752.10	$\sum X.Y$ =85353.78	$\sum$ X2=65102.9	$\sum$ Y2=117332.1

Source: Appendix A and B

We know,

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

$$r = \frac{5 \times 85353.78 - 544.61 \times 752.10}{\sqrt{5 \times 65102.90 - (544.61)^2} \times \sqrt{5 \times 17525.26 - (752.10)^2}}$$

r = 0.44

where as,

$$Pe = \frac{06745(1\text{-}r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1\text{-}(0.44)2\}}{\sqrt{5}}$$

$$= 0.23$$

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

4.4.7 CURRENT ASSETS TURNOVER/ GROSS WORKING CAPITAL TURNOVER

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

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

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

Table-32
J.Bs. Pvt. Ltd.
Current Assets to Sales

(Amount in lakhs)

| Year	Sales	Current Assets	Ratio
059/60	108.53	60.97	1.78
060/61	127.52	67.75	1.88
061/62	157.93	92.53	1.71
062/63	189.67	117.02	1.62
063/64	168.45	120	1.40
Total	752.10	458.27	8.39
Average	150.42	91.654	1.68

Sources: Appendix A and

According to this ratio, sales are increasing in trend but decreases in last year of study period. Sale is 189.67 (in lakhs) in year 2062/63 which is the highest study period.

The average sales are 150.42 lakhs and average current assets Rs. 91.654 lakhs. Hence the ratio is 1.88 which is highest in the year 2060/61 and lowest in the year 2063/64 which is 1.40 only.

This can be shown in the bar graph as below.

Graph-16
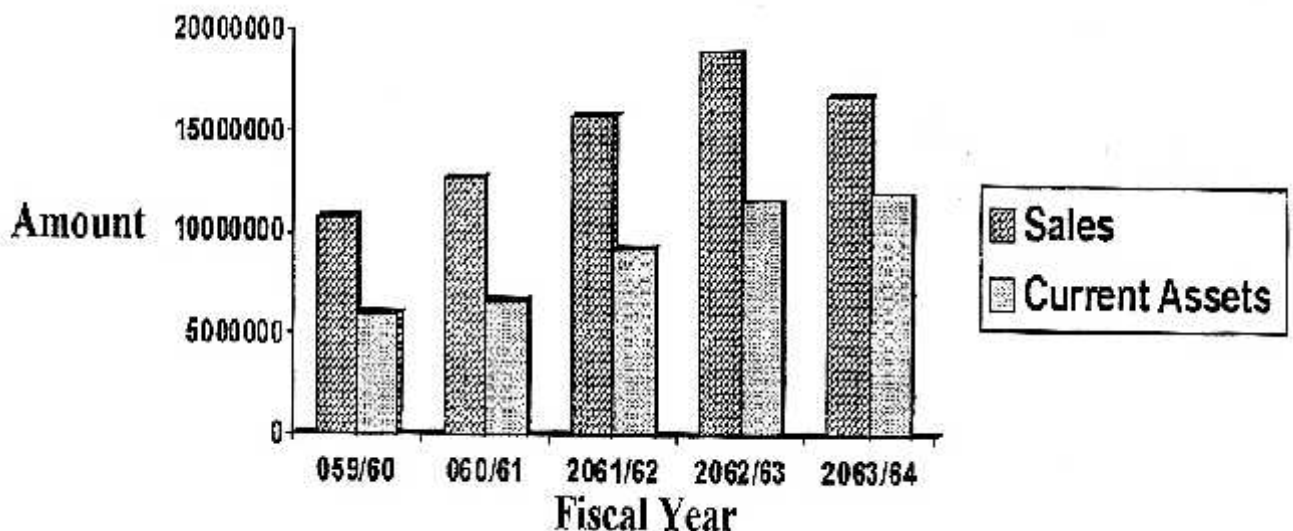
The above figure shows the proportion of current assets and sales. All current assets and sales of the study period are increasing

trend but sales are decreased in the last year. In the year 2059/60 the current assets and sales are lower and in the year2062/63sales are higher and in the year 2063/64 current assets are higher.

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

Table33

Computation of Correlation Coefficient®
In order to test the relationship between
Current Assets to Sales

(Amount in lakhs)

Year	Current Assets(x)	Sales (y)	x.y	X2	Y2
059/60	60.97	108.53	6617.04	3717.34	11778.76
060/61	67.75	127.52	8639.48	4590	16261.35
061/62	92.53	157.93	14613.26	8561.80	24941.88
062/63	117.02	189.67	22195.18	13693.68	35974.71
063/64	120	168.45	20214	14400	28375.40
	$\sum X$ =458.27	$\sum Y$ =752.10	$\sum X.Y$ =72278.96	$\sum$ X2=449 62.82	$\sum$ Y2=117 332.1

Source: Appendix A and B We know,

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

$$r = \frac{5 \times 72278.96 - 458.27 \times 752.10}{\sqrt{5 \times 44962.82 - (458.27)^2} \times \sqrt{5 \times 17525.26 - (752.10)^2}}$$

$$r = 0.95$$

where as,

$$Pe = \frac{06745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.95)2\}}{\sqrt{5}}$$

84

=0.029

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

4.5.1 GROSS PROFIT MARGIN RATIO

Gross profit margin is the profit after deduction cost of goods sold from net sales. 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 returns to the owners. Higher the percentage indicates the better position. Table-36 is presented below to show the gross profit margin ratio of J.Bs. industry Pvt. Ltd.

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

Table-34

J.Bs. Pvt. Ltd.
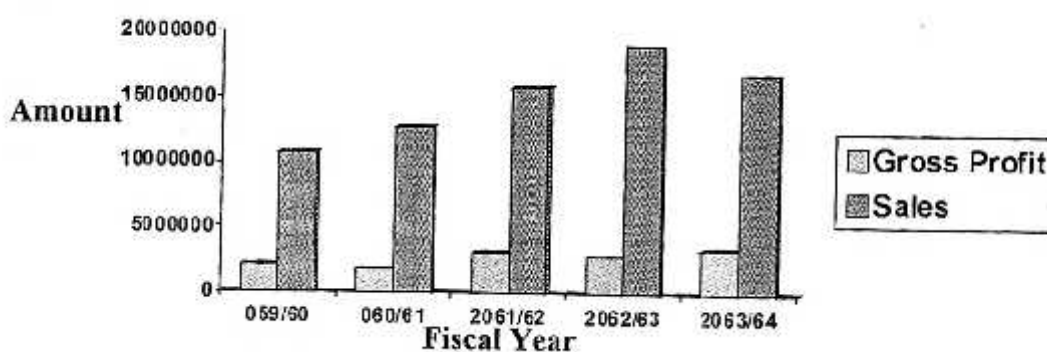
Computation of Gross Profit Margin Ratio

(Amount in lakhs)

Year	Gross Profit	Sales	Gross Profit Margin Ratio
059/60	22.05	108.53	20.32
060/61	18.70	127.52	14.67
061/62	31.83	157.93	20.15
062/63	29.32	189.67	15.50
063/64	33.68	168.45	20.00
Total	135.58	752.10	90.64
Average	27.16	150.42	18.33

Sources: Appendix B

The gross profit margin ratio of J.Bs. industry Pvt. Ltd. is in fluctuating trend. As we know from the above table the highest percentage is 20.32% in the last year 2059/60. the ratio is only 14.67% in the year 2060/61 which is decreased as compared to previous year. Likewise the ratio is only 20% in the last year of study period, sometimes it is increased and other time it is decreased.This can be shown in the bar graph below.

Graph-17

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

In other to test relationship between gross profit and sales of J.Bs. industry Pvt. Ltd. during the stuffy period of observation, Karl Pearson's correlation coefficient is calculated in table no. 37.

Table-35

Computation of Correlation Coefficient®
In order to test the relationship between
Gross Profit to Sales

(Amount in lakhs)

Year	Gross Profit(x)	Sales (y)	x.y	X2	Y2
059/60	22.05	108.53	2393.08	486.20	11778.76
060/61	18.70	127.52	2384.62	349.69	16261.35
061/62	31.83	157.93	5013.86	1013.15	24941.88
062/63	29.12	189.67	5523.19	847.97	35974.71
063/64	33.68	168.45	5673.39	1134.34	28375.40
	$\sum X$ = 135.58	$\sum Y$ =752.10	$\sum X.Y$ =20988.15	$\sum$ X2=3831.35	$\sum$ Y2=117332.1

Source: Appendix A and B

We know,

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

$$r = \frac{5 \times 20988.15 - 135.58 \times 752.10}{\sqrt{5 \times 3831.35 - (135.88)^2} \times \sqrt{5 \times 117332.10 - (752.10)^2}}$$

r = 0.78

where as,

$$Pe = \frac{06745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.78)2\}}{\sqrt{5}}$$

=0.11

There ratio relationship between net profit is regarded as significant because r is greater than pe by six times.

4.5.2 NET PROFIT MARGIN RATIO

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

Table 36
J.Bs. Pvt. Ltd.
Computation of Net Profit Margin Ratio

(Amount in lakhs)

Year	Net Profit	Sales	Net Profit Margin Ratio
059/60	4.33	108.53	4
060/61	3.14	127.52	2.46
061/62	6.43	157.93	4.07
062/63	8.59	189.67	4.53
063/64	7.97	168.45	4.73
Total	30.46	752.10	19.79
Average	6.092	150.42	3.96

Sources: Appendix B

The net profit margin of the factory is fluctuating trend. In general, it has been increasing during the study period. But not satisfactory, it may be due to lack of efficient management of, over

staffing and under utilization of available resources. But there are possibilities to improve in the years to come.

This can be shown in the bar graph as below.

Graph 18
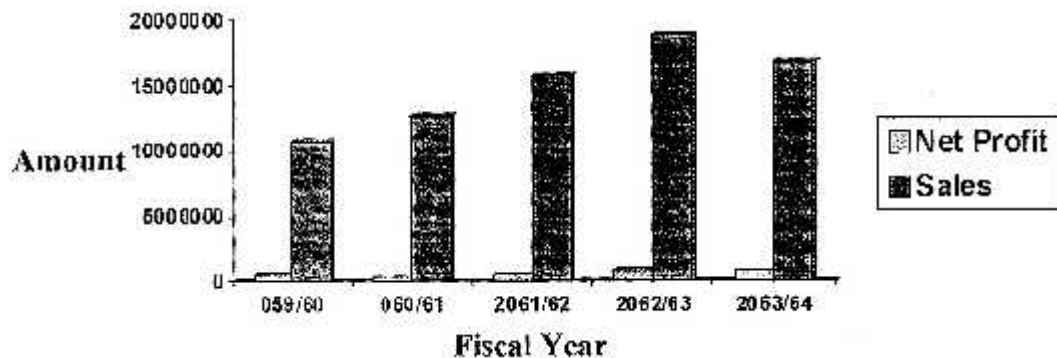
The above bar graph shows the proportion of net profit after tax and sales. The earning after tax is higher in the year 2063/64 and in the year2060/61, it is lower. But the sales is in increasing in trend and decrease in last year of the study period.Karl Pearsons correlation coefficient can be calculated from Table no. 37

Table-37

Computation of Correlation Coefficient®

In order to test the relationship between

Net Profit to Sales

(Amount in lakhs)

Year	Net Profit(x)	Sales (y)	x.y	X2	Y2
059/60	4.33	108.53	469.94	18.75	11778.76
060/61	3.14	127.52	400.41	9.86	16261.35
061/62	6.43	157.93	1015.49	41.34	24941.88
062/63	8.59	189.67	1629.26	73.79	35974.71
063/64	7.97	168.45	1342.55	63.52	28375.40
	$\sum X$ =30.46	$\sum Y$ =752.10	$\sum X.Y$ =4857.64	$\sum$ X2= 207.26	$\sum$ Y2=11733 2.1

Source: Appendix A and B

We know,

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

$$r = \frac{5 \times 4857.64 - 30.46 \times 752.10}{\sqrt{5x207.26 - (30.46)^2} \text{ x } \sqrt{5x117332.10 - (752.10)^2}}$$

r = 0.91

where as,

$$Pe = \frac{06745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.913)2\}}{\sqrt{5}}$$

=0.048

4.5.3 RETURN ON TOTAL ASSETS

It measures the overall profitability of the enterprise upon its total assets. Return on total assets indicates the relationship between earning before interest and tax and total assets. It is useful measure of the profitability of the all financial resources investment in the industries assets. The turn investment may refer to total assets or net assets. The fund employed in the net assets is known as capital employed.

Table-38
J.Bs. Pvt. Ltd.
Computation of Return on Total Assets

(Amount in lakhs)

Year	EBIT	Total Assets	Ratio
059/60	8.65	71.24	12.15
060/61	6.71	76.71	8.75
061/62	8.74	101.92	8.58
062/63	8.06	134.77	5.98
063/64	5.90	159.99	3.69
Total	38.07	544.63	39.15
Average	7.68	108.93	7.83

Sources: Appendix B and A

The return on total assets is 12.15% which is highest ratio in the year 2059/60. this shows the effective return on assets. But it is only 3.69% in the year 2063/64, which is lowest from above calculation, it is fluctuating trend. This can be shown in the bar graph as below.

Graph-19

Fiscal Year
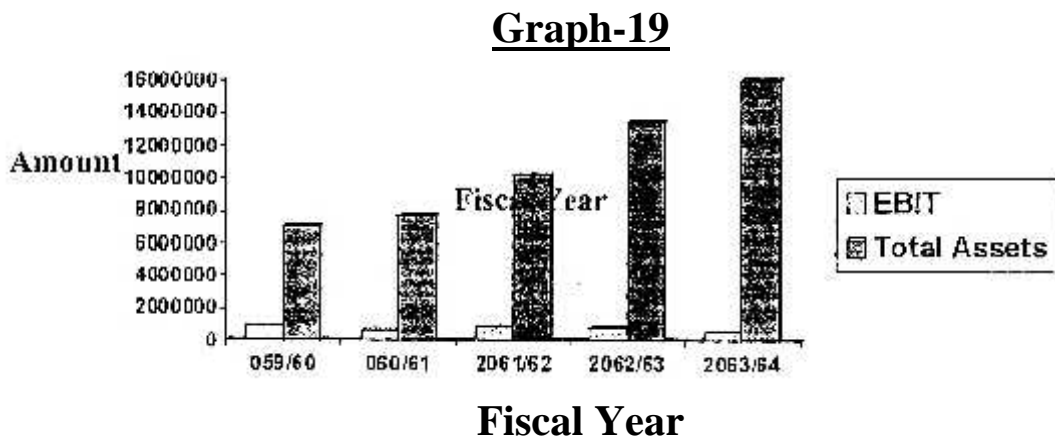
The industry has not satisfactory earning capacity. It has decreasing trend during the study period. The assets available in the industry are not satisfactory utilized to maximize the earning of the industry.

Table-39
Computation of Correlation Coefficient®
In order to test the relationship between
EBIT to Total Assets

(Amount in lakhs)

Year	EBIT(X)	Total Assets(y)	x.y	X2	Y2
059/60	8.65	71.24	616.23	74.83	5075.14
060/61	6.71	76.71	514.72	45.02	5884.42
061/62	8.74	101.92	890.78	76.39	10383.61
062/63	8.06	134.77	1086.25	64.96	18162.95
063/64	5.91	159.99	945.54	34.93	25598.8
	$\sum X$ =38.07	$\sum Y$ =544.63	$\sum X.Y$ =4053.52	$\sum$ X2=296.13	$\sum$ Y2=65102.9

Source: Appendix A and B

We know,

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

$$r = \frac{5 \times 4053.52 - 38.07 \times 544.63}{\sqrt{5x207.26-(38.07)}2 \text{ x } \sqrt{5x65102.90-} (544.63)2}$$

r = 0.49

where as,

$$Pe = \frac{0.6745(1-r2)}{\sqrt{N}}$$

$$= \frac{0.6745\{1-(0.49)2\}}{\sqrt{5}}$$

=0.21

The relationship between profit and total assets is not regarded as significant due to r is regarded than pe by six times. But the relation is positive.

4.5.4 RETURN ON CURRENT ASSETS

Current assets are such assets, which are converted into cash within an economic year without losing any value. So, it includes cash and net cash's item. It keeps the relationship with day to day operation of the firm. So, this is the rate of the return on current assets. It measures the profit with respect to its current assets. So, it plays important role in profit earnings. The return on current assets of J.Bs. industry Pvt. Ltd. is as under in table.

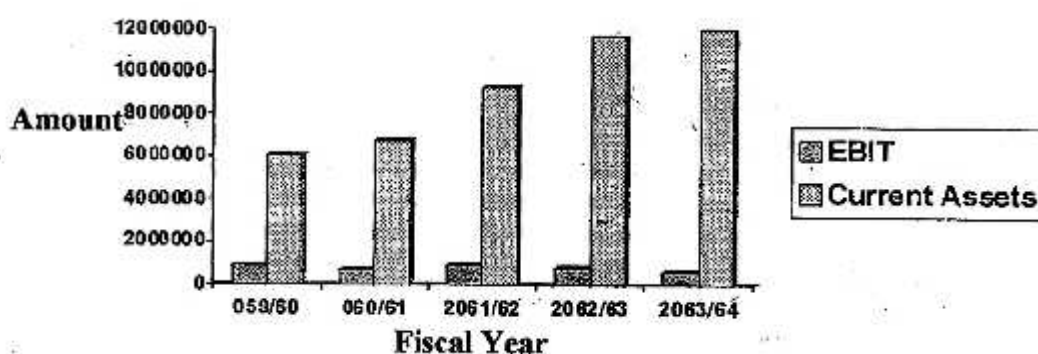### Table 40
J.Bs. Pvt. Ltd.
EBIT to current Assets Ratio

(Amount in lakhs)

Year	EBIT	Current Assets	Ratio
059/60	8.65	60.97	7.10
060/61	6.71	67.75	4.63
061/62	8.74	92.53	6.95
062/63	8.06	117.02	7.34
063/64	5.90	120	6.65
Total	38.07	458.27	32.67
Average	7.68	91.654	6.534

Sources: Appendix A and B

The above ratio indicates the return of J.Bs. industry Pvt. Ltd. limited from year 2059/60 up to 2063/64. in the year 062/63 the ratio is highest which indicates the maximum return on current assets. But it is a little slow in the year 060/61 and 063/64. but it is very low which is only 4.63% in the year 060/61. The management should manage it effectively and efficiently.

Graph 20

93

The above bar graph shows the proportional of earning before interest and tax with respect to current assets. The current assets are heavier comparing with the earning before interest and tax from the year 2059/60 to 2063/64.

Table-41

Computation of Correlation Coefficient®
In order to test the relationship between
Current Assets to Sales

(Amount in lakhs)

Year	EBIT(X)	Current Assets(y)	x.y	X2	Y2
059/60	8.65	60.97	527.39	74.83	3717.34
060/61	6.71	67.75	454.6	45.02	4590
061/62	8.74	92.53	808.71	76.39	8561.80
062/63	8.06	117.02	943.18	64.96	13693.68
063/64	5.91	120	709.20	34.93	14400
	$\sum X$ =38.07	$\sum Y$ =458.27	x.y =3443.08	$\sum$ X2=966.13	$\sum$ Y2=44962.82

Source: Appendix A and B
We know,

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

$$r = \frac{5 \times 3443.08 - 38.07 \times 458.27}{\sqrt{5 \times 296.13 - (38.07)^2} \times \sqrt{5 \times 65102.90 - (458.27)^2}}$$

r = 0.34

where as,

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

$$= \frac{0.6745\{1-(0.34)2\}}{\frac{\sqrt{N}}{\sqrt{5}}}$$

=0.25

The relationship between profit before tax and interest and current assets is positive but not significant because r is not six times greater than pe.

4.6 CASH FLOW ANALYSIS

Cash flow statement is an important tool which provides the information to its users about ability of the enterprise to generate cash and its utilization. The main objectives of cash flow statement are to help the cash to know the cash position of the organization. So, that the firm can make plan and policy regarding decision making activities for short term and long term financing.

Cash is lifeblood of business organization. It is a fund that keeps a business alive without cash no activities can be taken place. So, a business must have an adequate amount of cash to operate. Cash flow statement helps the management to assesses the liquidity of business, Determine the dividends policy to evaluating the polices regarding the investment and financing etc. Similarly this statement is useful for inventors and creditors in assessing the companies' ability to mange the cash flows, to generate the positive features cash to divided and interest etc. so the overall cash flow statement of J.BS industry is analyzed from year 2059/60 to 2063/64 by using indirect method.

Table-42
Cash Flow statement of
J.Bs industry Pvt.Ltd

In year 2059/60

Particular	Amount
Cash available from operating activities	
Net Profit	433435.20
Add: non Cash Expenses	
Deprecation	156658.88
Cash available from operating activities in working capital (Expected cash)	590094.09
Increasing in Current Assets	(967234.88)
Increasing in Current Liabilities	520097.91
Tax Paid	(101478.62
Cash available from Operating Activities(A)	41478.49
Cash available from Investing Activities	
Purchase of fixed assets	(137541)
Sales of fixed assets	0.0
Cash used in investing Activities(B)	(137541
Cash available from Financing Activities(C)	0.0
Cash available from Operating Activities(A)	41478.49
Cash used in investing Activities(B)	(137541)
Cash available from Financing Activities(C)	0.0
Net Cash Change (A+B+C)	(96062.51)
Add:- Operating Cash Balance	237033.46
Closing Cash Balance	140970.95

Dr. Fixed Assets Account			Cr
Particular	Amount	Particular	Amount
To Balance b/d	1045568.44	By, Depreciation	156658.88
To Bank A/C (Purchase)	137541	By balance C/d	1026450.56
	1183109.44		1183109.44

The above cash flow statement table of J.Bs industry Pvt.Ltd. In the year 2059/60 is calculated by considering the year 2058.59 as base

year. The firm has given more emphasis for operating activities and little importance for investing activities. The above cash follow statement table given importance for financing activities or there is no necessary to raise the fund by issuing the share Rs. (13751), (i.e outflow is used in investing activities.

Table-43
Cash Flow statement of
J.Bs industry Pvt.Ltd
In year 2060/61

Particular	Amount
Cash available from operating activities	
Net Profit	642961.79
Add: on Cash Expenses	
Deprecation	122532.71
Cash available from operating activities before in working capital (Expected cash)	765494.5
Increasing in Current Assets	(2506616.93)
Increasing in Current Liabilities	2033291
Tax Paid	(15521.28)
	136949.61
Cash available from Operating Activities(A)	(165328.64)
Cash available from Investing Activities	0.0
Purchase of fixed assets	
Sales of fixed assets	(165328.64)
Cash used in investing Activities(B)	
	0.0
Cash available from Financing Activities(C)	136949.61
Cash available from Operating Activities(A)	(165328.64)
Cash used in investing Activities(B)	0.0
Cash available from Financing Activities(C)	(28379.03)
Net Cash Change (A+B+C)	77902.74
Add:- Operating Cash Balance	49523.71
Closing Cash Balance	

Dr.	Fixed Assets Account		Cr
Particular	Amount	Particular	Amount
To Balance b/d	896813.88	By, Depreciation	12253.71
To Bank A/C (Purchase)	165328.64	By balance C/d	939609.81
	1062142.52		1062142.52

From the above table of cash flow statement in the year 2060/61,it has decreased a bit expenses up on operating expenses which is only Rs.136949.61. In this year it has purchased fixed assets of Rs.165328.64.. it has given more emphasis up on operating and investing activities rather than financing activities. It has given emphasis to broad the area and machinery etc.

Table-44
Cash Flow statement of
J.Bs industry Pvt.Ltd
In year 2062/63

Particular	Amount
Cash available from operating activities	
Net Profit	858834
Add: Non Cash Expenses	
Deprecation	129145.89
Cash available from operating activities before in working capital (Expected cash)	987979.89
Increasing in Current Assets	(2346335.77)
Increasing in Current Liabilities	2576759.12
Tax Paid	(150701.97)
	1067701.27
Cash available from Operating Activities(	(963910.34)
Cash available from Investing Activities	0.0
Purchased of fixed assets	
Sales of fixed assets	(963910.34)
Cash used in investing Activities(B)	
	0.0
Cash available from Financing Activities(C)	
Cash available from Operating Activities(A)	1067701.27

Cash used in investing Activities(B)	(963910.34)
Cash available from Financing Activities(C)	0.0
Net Cash Change (A+B+C)	
Add:- Operating Cash Balance	
Closing Cash Balance	
	(103790.93)
	49523.71
	153314.64

Dr.   Fixed Assets Account   Cr

Particular	Amount	Particular	Amount
To Balance b/d	939609.81	By, Depreciation	12145.89
To Bank A/C (Purchase)	963910.34	By balance C/d	1774374.26
	1903520.15		1903520.15

From the above table of cash flow statement of J.Bs. industry Pvt. Ltd. shows that the operating expenses to increase to Rs. 1067701.27. In this year the industry bought the fixed assets for Rs.963910.34 and also there is nil in financing activities. So, it is given more emphasis on operating and investing activities rather than financing activities.

Table-45
J.Bs industry Pvt.Ltd
In year 2063/64

Particular	Amount
Cash available from operating activities Net Profit	797192
Add: Non Cash Expenses Deprecation	557194

Cash available from operating activities before in working capital (Expected cash)
    Increasing in Current Assets
    Increasing in Current Liabilities
    Tax Paid
	1354386
	(371509.42)
	1926801.93
	(201882)

	2707796.52
Cash available from Operating Activities(A) Cash available from Investing Activities	(2782012.74)

Particular	Amount
Purchased of fixed assets	0.0
Sales of fixed assets	
Cash used in investing Activities(B)	(2782012.74)
Cash available from Financing Activities(C)	0.0
Cash available from Operating Activities(A)	
Cash used in investing Activities(B)	
Cash available from Financing Activities(C)	2707796.52
Net Cash Change (A+B+C)	(2782012.74)
Add:- Operating Cash Balance	0.0
Closing Cash Balance	(74216.23)
	153314.64
	79098.41

Dr.   Fixed Assets Account   Cr

Particular	Amount	Particular	Amount
To Balance b/d	1774374.26	By, Depreciation	557194
To Bank A/C (Purchase)	278201.74	By balance C/d	3999193
	4556387		4556387

From the above table of cash flow statement of J.Bs. industry Pvt. Ltd. shows that the operating expenses to increase to Rs. 2707796.51. In this year the industry bought the fixed assets for Rs.2782012.74 and also there is nil in financing activities. So, it is given more emphasis on operating and investing activities rather than financing activities.

At last it can be concluded that the firm has not equally invested its cash for operating, financing and investing activities. It has started to purchase plant and machinery and has started to issue long-term debt. As a whole, the cash flow statement is on fluctuating in trend.

4.7 TREND ANALYSIS

Trend is an important financial tool to know the financial position of every organization. For the trend analysis a base year is selected and the amount of item related to base year are taken equally

to 100 and index number are calculated (computed) for the further year of study period. For the proper trend analysis five year studied data should be presented which gives the direction of changes and future trend can be made.

The following table shows the trend percentage of J.Bs. industry Pvt. Ltd. Over a different five year period (i.e. from 2059/60 to 2063/64) the fiscal year 2058/59 is taken as base year.

Table-46
Analysis J.Bs. Industry Private Limited
Comparative Trend

(Amount in Lakhs)

Year	Current Assets	Trend	Current Liabilities	Trend	Networking Capital	Trend
059/60	60.97	100	23.93	100	37.05	100
060/61	97.75	113	27.22	114	40.53	109
061/62	92.53	137	47.56	175	44.97	111
062/63	117.02	126	73.33	154	43.69	97
063/64	120	103	92.59	126	27.41	63
Total	458.27	579	264.62	669	193.65	480
Average	91.65	115.8	52.92	113.80	38.73	96

Sources-Appendix-A

.7.1 Trend Graph 4
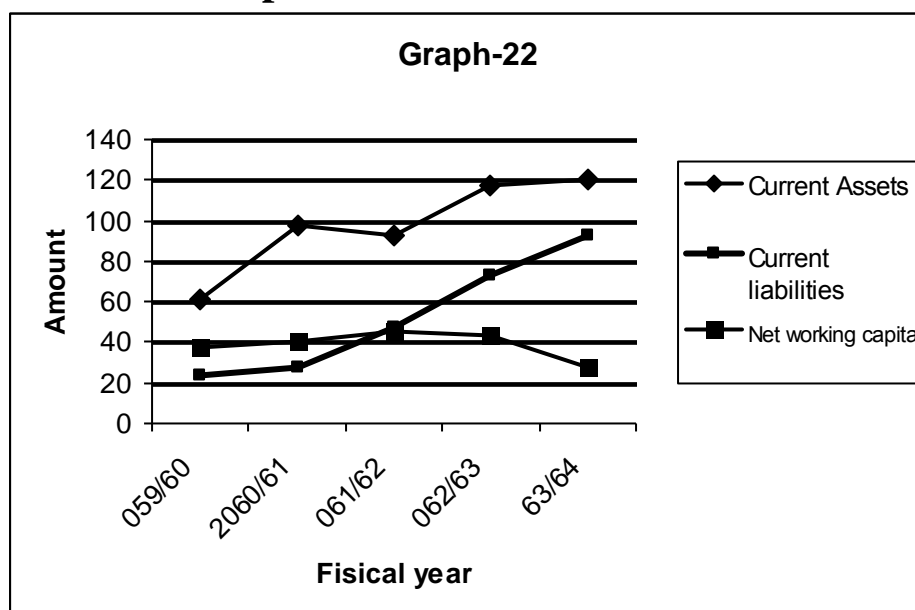
To trend of current assets is in the volatile trend. The trend of base year (i.e. 2059/60) is assumed as 100%in the year of study period. It is increased of 113 in years 2061/62 and also increased and becomes137 which indicates the good position in current assets or proper utilization of current assets in the firm. But in the year 126 as well as 103 in year 2063/64 which shows that the firm is enable to use the current assets properly. This situation is not favorable to the firm. So, the firm should extremely consider it.

The trend of current liabilities is not good condition or it is in worse condition. This is continuously in increase in way up to the year 062/63. This trend shows that the firm has more and more current liabilities in this period. It also indicates that the management is not able to manage current liabilities. But the year of 063/64 the trend is decreased and becomes 126 which mean the firm is trying to maintain its liabilities. But it is not sufficient and the firm needs an effective management of current liabilities.

The trend of networking capital is also in fluctuating trend. It is increased and becomes 109, 11 are the year of 060/61 and 061/62 respectively even the current liabilities are in increasing trend. Higher net capital can be invested by the firm in any profitable investment opportunity. In the year062/63 and 063/64 the trend of net working capital is in increasing trend due to the decreasing in current assets. It is decreased and becomes97 in 062/63. Further more, the trend of networking capital is vastly decreased ands becomes 63 in the year 063/64. This situation shows the firm will be in crisis of networking capital. So, the firm should go in corrective way rapidly.

CHAPTER-V
SUMMARY, CONCLUSIONS AND RECCOMENDATIONS

5.1 SUMMARY

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

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

The must important component of financial management is working capital .So, it is compared as life blood and nerve sector of any business organization of firms, the study has conducted up on working capital management of J.Bs. Industry Pvt Ltd For five years from 2059/690 to 2063/64 to judge the management of working capital management.

The main objectives of this study are to have inside overall except of working capital management of J.Bs Industry Pvt Ltd. So necessary that have been collected ,tabulated interpreted depending up on the data available from concern fruit industry. For the 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 ,review of related literature concerned with working capital management   are presented .Nature ,concept determinations ,need of working capital importance of working capital are discussed.

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

In chapter four, financial data of jBs Industry Pvt Ltd .Have beeen presented, analysis interpreted with financial as well as statically 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 in the official hours.

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

5.2   CONCLUSIONS

From the study of working capital management of J.Bs industry private, the main conclusion of the study is presented belo

I.   The investment on cast bank balance of Jbs .Industry in minimum comparing with other current assets which is better for the industry in relation to maximum utilization of sources.

II. Sundry debtors (receivables) is the measure component of current assets, it is volatile .

III. Investment made on inventory is the second largest element of the current assets. It is increasing trend which is not better because the sales volume is decreased and large amount will be stay idle.

IV. Investment made on fixed assets has in fluctuating trend and is less than current assets .So, its profitability position is not satisfactory.

V. The current liabilities of Jbs Industry PVt Ltd are in increasing trend which is better for the industry since it can utilized the amount without interest.

VI. The current asset to total assets ratio is fluctuating trend. it is in increasing trend in the year2059/60 to 2062/63, shows that the risk and profitability of the industry are in increasing and in year2062/63 to 2063/64 is decreased, shows the profitability in decreased. In the last year of the study period the ratio is decreasing and it indicates that the decreasing in profitability.

VII. The current assets to fixed assets ratio is increasing trend for the first three year. This result shows that the combination of current and fixed assets has been found sound. the company had maintain its satisfactory. In the last two year, the current assets and the fixed assets ratios decreasing trend due to fluctuating fixed assets but notby current ass

VIII. The receivables to current assets ratio is fluctuating trend. It is not better for the industry likewise in the same conditioning the ratio of receivables upon total assets. It shows the negative result in sales. the ratio of the inventory on current and total assets is also decrease in trend which implies the lower level of sales which is not better for the industry became lower would decline the profitability of the industry.

IX. The net working capital of the industry is increasing trend in the first three year of the study which can be invested in profitability opportunity as knows working capital financing, which is better for the company. And decreasing in the last two year of study period, which indicates that can't create any opportunity to the company.

X. In the previous year of study from 2060/61 to 2061/62 the industry have the higher ratio which is better for the industry and last year of study period the ratio more than 2:1. it shows that the industry is able to maintain its current obligation which is better for the company

XI. The quick ratio of the firm from the starting two year is satisfactory due to increasing trend upto first two year. But in the last three year of study period it has lower quick ratio which is less than standard 1:1, which is not better for the industry.

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

XIII. The debators turn over ratio has fluctuating trend which is not better for it and implies the inefficient utilizations of debators.The efficient management of debates is crucial for the firm to maintain the sound cash position .Fluctuating trend is not satisfactory at all.

XIV. The collection period of J.Bs Industry private Limited is decreasing trend .It shows the fast collection period of debators which is better for the firm. So , collection period policy must be maintained .

XV. The fixed assets turn over ratio is in fluctuating trend .The firm must try to maintain the uniform trend for efficient management of fixed assets of the firm. Fixed assets are long term life of the any business firm.

XVI. Total assets turnover is also fluctuating trend .The overall assets positions 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.

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

XVIII. Gross profit margin ratio is also fluctuating trend which shows the unsound and inefficient management .So, it is not better for the industry.

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

XX. 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   RECCOMENDATIONS

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

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

2. The firm should try to minimize the increasing debtors (receivables) without decreasing sales for making it strong in short term solvency.

3. J.Bs Industry Private Limited 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 further strengthening and extending its market share and absorbing more opportunity.

5. For controlling the bulk 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.

6. J.bs industry private limited 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.

7. The firm should increase 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 fluctuating trend of current assets turnover ratio should maintained for the efficient management.

11. J.Bs. Industry private limited should determine certain rate on its investment and sales target should set to overcome the problem of lower profit .

12. J.Bs. industry private limited should afford cost control program to reduce the amont 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. Cash flow statement shows the fluctuating trend in cash balance . So, the firm should increase it for liquidity.

16. Lastly, the firm should constitute research and development unit for condition research and development activities, which can bring efficiency in production process and may be helpful in reducing cost, exploring new facts and tacking with business threats.

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