CASH MANAGEMENT

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ABSTRACT

A study on “EFFECTIVENESS OF CASH MANAGEMENT is one of the leading port Services companies, offering a wide range of portal services such as cargo handling services and also provide containers for importing and exporting the goods. The main objective of the study is to study about the cash management, which will prove essential for ascertaining past and present financial position of the study. The tool which was used for the data analysis and interpretation is: trend analysis, ratio analysis, cash flow statement, and method of least square

1. INTRODUCTION

The study on cash and receivables management reveals the status of the company in the current economy. Therefore, cash management by the company plays a vital role in the development of the company[1-4].

2. SCOPE OF THE STUDY

This study covers all the Revenues and Expenses in the organization to evaluate its performance.

➢ It conveys the role of finance department in terms of cash management.
➢ It takes into account the profit and loss and balance sheet of five consecutive years

Objectives of the study

Primary objective:

To study about the effectiveness cash management

Secondary objectives:

To analyze the trend and also project the future cash flow in the organization.
❖ To find out the short term liquidity position in the organization.
❖ To measure the growth of the organization in terms of cash flow.
❖ To provide suggestions for improvement.

Research Methodology

3.1 Secondary Data

This is taken from the annual reports, websites, company journals magazines and other sources

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4. Interpretation

The cash and bank balance shows increasing trend of 119,128 and it reaches a high rate in 2010 as 142 and again it decreased in the year ended

### Table 2. Least square method for projection Cash and bank balance (Amt in crores)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CASH BANK (Y)</th>
<th>AND DEVIATION FROM MID POINT (X)</th>
<th>XY</th>
<th>X²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>1489</td>
<td>-2</td>
<td>-2994</td>
<td>4</td>
</tr>
<tr>
<td>2007-08</td>
<td>1784</td>
<td>-1</td>
<td>-1784</td>
<td>1</td>
</tr>
<tr>
<td>2008-09</td>
<td>1931</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009-10</td>
<td>2134</td>
<td>1</td>
<td>2134</td>
<td>1</td>
</tr>
<tr>
<td>2010-11</td>
<td>1789</td>
<td>2</td>
<td>3578</td>
<td>4</td>
</tr>
<tr>
<td>SUM Y=9135</td>
<td>SUM X=0</td>
<td>SUM XY=934</td>
<td>SUM X²=10</td>
<td></td>
</tr>
</tbody>
</table>

THE FORMULA = Yc = a + bX

Since \( \sum X = 0 \), \( a = \frac{\sum Y}{N} = \frac{9135}{5} = 1827 \)

\( b = \frac{\sum XY}{\sum X^2} = \frac{934}{93.4} = 93.4 \)

Substituting in \( Yc = A + B X \)

Therefore substituting \( x = 2012, 2013, 2014, 2015, 2016 \) in \( X = (x - 2009) \)

\( Y = 1827 + 93.4 (x - 2009) \)
4.1 Interpretation

The above projection of cash and bank balance in the organization shows a continuous growth which is necessary for the organization and it is Rs.2201 (in crores) in the year ended 2013 and it increases year by year and reaches high for the future year ending 2016 as Rs. 2481 (in crores)[16]. This shows a good position the organization in the future.

5. Findings

- The trend for the cash and bank balance is growing rapidly and reaches high in the year ended 2010 (142) and again decreased to (119) in 2011.

- The cash from operation had been increased in the year ended 2011 Rs.52871.9 (in lakhs) when compared to the year ended 2010 Rs.25746.85 (in lakhs) The application of cash is more through the purchase of asset in the year ended 2008 and 2009 as Rs.1095.43 (in lakhs) and Rs.4532.82 (in lakhs) respectively. Thi growth of the organization.

- The application of cash through the investment purchase is also high in the year ended 2011 Rs.77115.47 (in lakhs) which shows the company is more investing.

- The projected current assets show an net increase year by year and the values are Rs 2276 from 2012-2016 respectively.

- The debtors value of projection also increases year by year and reached a high in the year 2016 (Rs.859) in crores.
The current liabilities is also in an increasing trend from the year 2012-2016 (Rs.2377-2946) in crores.

6. Suggestions Recommended for the Study

The current ratio in the organization is poor and it could be improved by improving cash balance by issuing many short term money market instruments such as treasury bills, commercial paper, term deposit, certified deposit, and deposit with financial institutions. And also this could maintain a good current ratio.

❖ The trend of debtor is moving in an increasing trend and this increase indicates that there is poor management of debtor is concern. Hence the company could adopt a better credit policy for the customers and can have a credit limit and also provide some terms and conditions for the customer which shows good cash management in the organization [20-24].

❖ The working capital in the organization is very low particularly in the year ended 2010-12. Hence it could be overcome by accelerating cash inflow by way of various collection methods like lock-box system, electronic fund transfer and slow down payment and debtor collection centre’s etc., This would increase the working capital in the organization

7. Conclusion

This project was very useful to show the financial status of the company from the management point of view and this evaluation provided a great deal to the management to make decision on the regulation of the funds to increase the business activities and also to bring profit to the company. The future projections show a growth in all aspects of the company.

REFERENCES


