

A STUDY ON WORKING CAPITAL MANAGEMENT IN VISHAKAR AUTO,

PULIANGUDI.

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ABSTRACT

Working capital is one of the most essential parts of business management. Every business needs funds for two purposes for its establishment and to carry out its day-to-day operations. Some define it as excess of current assets over current liabilities. The term working capital is commonly used for the capital required for day-to-day working in business concern, such as for purchasing raw material, for meeting day-to-day expenditure on salaries, wages, rates, advertising etc. This paper aims research working capital management in Vishakar Auto puliangudi. The research is focus on two aspect working capital on profitability of firm and working capital management. The researcher has taken into consideration to liquidity ratio, profitability ratio. It is help to know the impact on profitability in the firm. The sources of the research are company balance sheet & profit and loss account. Secondary data is the data collected by and available from other sources the period of the study has been used finally, based on the study conducted, it is also revealed that there is a significant difference between the mean profitability of services and firms in vishakar Auto puliangudi during year 2016-2020.

KEY WORDS: Working Capital, Current Asset, Current Liabilities, Day-To-Day Expenditure.

INTRODUCTION ABOUT THE STUDY

Working capital is the blood of any organization. Working capital refers to the part of the firm's capital which is required for financing of current assets such as cash, marketable securities, debtors and inventories, working capital is required for meeting the day to day expenses of a business. No business can run successfully without an adequate amount of working capital. There are two concepts of working capital- Gross concept and Net concept. Gross working capital represents the total current assets. Net working capital is the difference between current assets and current liability. The firm should maintain a sound working capital position.

Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital current assets and current liabilities to ensure the most financially efficient operation of the company the primary purpose of working capital management is to make sure the company always maintains sufficient cash flow to meet its short term operating costs and short term debt obligation.

The term working capital is commonly used for the capital required for day-to-day working in a business concern, such as for purchasing raw material, for meeting day-to-day expenditure on salaries, wages, rent, rates,

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advertising etc. but there is much disagreement among various financial authorities, (financiers, accountants, businessmen and economists) as to the exact meaning of the term working capital.

OBJECTIVES OF THE STUDY

- A Study the firms administration of current assets and current liabilities
- To Analyze the ratios with the help of financial statement
- To Analyze the working capital position of the firm for last five years
- To Examine the composition of working capital items in organization
- To know the relationship between the liquidity and profitability.

REVIEW OF LITERATURE

M.S., Bamalsucheta, VashistBabita and Turan Nidhi (2013) attempt to examine the relationship between working capital management and profitability by making an inter sector comparison of two manufacturing industries i.e. chemical industries and pharmaceutical industries. 50 companies from each sector based on market capitalization and listed on BSE and 500 indices selected for the research for the period from 2002 to 2011. At the end of the analysis it was concluded that in spite of similar nature of both the industries in the manufacturing sector, working capital management variables affect profitability indices more strongly in the chemical industry than in the pharmaceutical industry. It was also observed that both the industries have a significant relationship between profitability and working capital management variables, besides, working capital management variables affect more strongly the profitability indices of chemical industry than those of pharmaceutical industry.

Quayyaum Sayeda Tahmina (2012) tries to investigate if there is any relationship between working capital management and profitability in 110 manufacturing corporations. For this study corporations enlisted with the Dhaka stock exchange were selected covering the period between 2005 and 2009. The purpose of the study is to examine whether there is statistically significant the necessity of firms optimizing the level of working capital management efficiency and in that way management taking productive actions to maximize their profitability. It is proved that except for food industry all other selected industries have a significant level of relationship between profitability indices and various working capital components. This paper also shows that the significant level of relationship varies from industry to industry.

Arunkumar O.N. and Jayakumar S. (2010) explain how working capital is considered to be the lifeblood and controlling nerve centre of the business. Profitability and solvency are two vital aspects of working capital management. The survival and growth of the company depends upon the ability to meet profitability and solvency. Here the authors have concentrated on the analysis of liquidity and solvency position of the major public sector electrical industries in Kerala such as Kerala Electrical and Allied Engineering Company Ltd 2007-08 and 1997-98 to 2005-06 respectively. In conclusion the authors have made a few important observations with regard to the companies. Both the companies show a trend of very low level of solvency position. The liquidity position of the companies is below the normal value. KEL has a lower level of net profit compared to TELK for the stated period. In comparison with KEL, the sensitivity of changes in the level of current assets is high in case of TELK.

T. Poojitha (2019) Working capital is known as the life blood of the organizations. The Purpose of this study is to understand efficiency and utilization of working capital in the Kdmpmacu ltd., Vijayawada. Analyze for six years from 2011-12 to 2016-17. This study is based on the secondary data of the firm. The literature reveals that working capital directly affects the profitability and liquidity of the firm and this study concludes that working capital has very much effects to the development of the firm.

RESEARCH METHODOLOGY

Meaning

Research is a process in which the researcher wishes to find out the end result for a given problem and thus the solution help in future course of action. The research has been defined as "A careful investigation or enquiry especially through search for new facts in branch of knowledge".

Research design

The research design used in this project is analytical in nature the procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evaluation of the performance.

Source of data

Secondary data Secondary data refers to data that was collected by someone other than the user. Common sources of secondary data for social science include censuses, information collected by government departments, organizational records and data that was originally collected for other research purposes.

Period of study:

The period of the study was five years. The data were collected from the financial statement in (vishakar Auto)

Tools used for analysis

- Ratio Analysis
- Comparative Analysis
- Correlation
- Regression

(a) Ratio Analysis

A ratio analysis is a quantitative analysis of information contained in a company's financial statement. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency.

- Current ratio
- Liquidity ratio
- Gross profit ratio
- Quick ratio
- Working capital turnover ratio
- Net profit ratio
- Net working capital

Comparative analysis is described as comparison analysis is used to measure the financial relationship between variables over two or more reporting periods. Businesses use comparative analysis as way to identify their competitive positions and operating results over a defined period.

FINDINGS

- From the above table 3.1.1 show that comparing the accounting period from 2015-2020. Due to increase in the value of current asset, the current ratio value is increased in the year 2017-2018. The ratio is 2.30. The decreased ratio is 1.63 in the year 2018-2019.
- From the above table 3.1.2 show the quick of the ratio of the company it was 2015-2017. Due to increase in the ratio value is 1.46 in the year 2015-2020. The decreased ratio value is 0.91 in the year 2015-2016.
- From the above table 3.1.3 shows that comparing the accounting period from 2015-2020. The increase ratio value is 0.80 in the year 2017-2018. The decreased ratio value is 0.30 in the year.
- From the above comparative balance sheet makes the comparison between the two financial years about the all information for the financial years 2015-2016 to 2016-2017 the percentage will be increased and decreased. Progress shows the high percentage (33.985). From the liabilities side it is clear that the other current liabilities balance (4.719). it show that firm working capital effectively.
- From the above comparative balance sheet makes the comparison between the two financial years about the all information for the financial years 2016-2017 to 2017-2018 the percentage will be increased and decreased. Progress shows the high percentage (- 6.77). From the liabilities side it is clear that the other current liabilities balance (6.6). It shows that firm working capital effectively.

CORRELATION

- From the table 3.4.1., it represents that there is a negative correlation between current ratio and gross profit ratio (0.7)

REGRESSION

The Regression value of current ratio and Gross profit ratio is 0.15 so there is a no difference between the current ratio and Gross profit ratio.

CONCLUSION

The study conducted on working capital management at “VISHAKAR AUTO PULIYANGUDI” gives a view of assessing the performance of working capital management of the society by analyzing the financial data with the help of ratio analysis. During the period of study, there were a few up and downs in the working capital and ratio analysis. It will affect the operations of the society but it is observed that the overall financial position is good. The Vishakar Auto resources utilization has been very low. The society has to take necessary steps to utilize current asset for improve profitability. It is anticipated that the profitability will improve in the coming year. Based on the analysis and interpretation I tried to give my findings and suggestions of the company as per my best knowledge.

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