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A STUDY ON WORKING CAPITAL MANAGEMENT IN JOTHI ENTERPRISES, KUMBAKONAM

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ABSTRACT

Working capital is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. In this paper is to examine the working capital management of the jothi enterprise, Kumbakonam.

Keywords : working capital, ratio, current assets, equity

DEFINITION

GeneStenberg defined "Circulating capital means current assets of a company that are changed in the ordinary Course of Business from to another". For example, from cash to inventories, inventories to receivable, receivable in to cash.

SCOPE OF THE STUDY

Working capital management is one of the main and every important functions of the enterprises. The Jothi enterprises concern which purchase and sales of agriculture, domestic product. The working capital to meet out our concern in day – to – day operations. The working capital is used to maintain to pay salaries and wages to the employees etc., in this study working capital management of the concern is analyses by using various accounting techniques.

STATEMENT OF THE PROBLEM

The need for working capital or current assets cannot be over emphasized. Given the objective of financial decision making to maximize the shareholders' wealth, it is necessary to generate sufficient profits. The extent to which profits can be earned will naturally depend, among other things, upon the magnitude of the sales. A successful sales programme is, in other words, necessary for earning profits by any business enterprises. The researcher is highly interested to highlights financial performance particularly working capital management of the enterprises, hence this topic working capital management of Jothi enterprises, Kumbakonam has been chosen by the researcher.

OBJECTIVES OF THE STUDY

The following are the main objectives of the study

- To know about the origin and growth of the concern.
- To understand the significance and management of working capital.
- To analyses and interpret of various data collected from this concern and other sources.
- To offer suitable suggestions to improve the financial performance of the study unit.

PERIOD OF THE STUDY

The study covers a period of five years from 2009-2010 to 2013-2014.

METHODOLOGY

The present study is based on secondary data. The secondary data gathered from the financial statement, audit report and records of Jothi Enterprise in Kumbakonam. The Accounting tools have been used for analyzing the data and also analyzing working capital.

LIMITATIONS OF THE STUDY

- This study is only based on working capital.
- This study does not cover all the functional and financial areas of this concern.
- This study covers only five year's statement, i.e., 2009-2014 due to financial and time constrain.

ANALYSIS AND INTERPRETATION

Table No.1

Schedule of Changes in Working Capital for the Year 2010-2011

Particulars	2010	2011	Increase	Decrease
Current Assets				
Sundry Debtors	3,51,705	5,68,239	2,16,534	-
Advance	30,000	10,000	-	20,000
Cash on hand	61,396	90,543	29,147	-
Cash at Bank	13,605	7,471	-	6,134
Stock	-	4,91,400	4,91,400	-
Total current assets	**4,56,706**	**11,67,653**		
Current Liabilities				
Sundry creditors	1,81,039	7,11,560	-	5,30,521
Vat payable	3,229	2,275	954	-
Total current liabilities	**1,84,268**	**7,13,835**		
Net working capital	2,72,438	4,53,818	7,38,035	5,56,655
Increase in working capital	1,81,380	-	-	1,81,380
Total	**4,53,818**	**4,53,818**	**7,38,035**	**7,38,035**

Source: Data taken from the annual report of Jothi Enterprise

The table no.1 shows schedule of change in working capital of the Jothi Enterprise for the study period from 2010 to 2011. It was inferred that the working capital of the Jothi enterprises is increased during the year 2010 – 2011. While comparing the base year the firm should more concentrates on its current assets. The main reason for increasing current assets is increasing of sundry debtors and closing stock. On account of increasing of current assets the results of net working capital is increased during the year 2010-2011.

Table No: 2

Schedule of Changes in Working Capital for the Year 2011-2012

Particulars	**2011**	**2012**	**Increase**	**Decrease**
Current Assets				
Sundry Debtors	5,68,239	2,54,220	-	3,14,019
Advance	10,000	10,000	-	-
Cash on hand	90,543	36,288	-	54,255
Cash at Bank	7,471	23,201	15,730	-
Stock	4,91,400	16,11,250	11,19,850	-
Total current assets	**11,67,653**	**19,34,959**		
Current Liabilities				
Sundry creditors	7,11,560	12,69,101	-	5,57,541
Vat payable	2,275	22,349	-	20,074
Total current liabilities	**7,13,835**	**12,91,450**		
Net working capital	4,53,818	6,43,509	11,35,580	9,45,889
Increase in working capital	1,89,691	-	-	1,89,691
Total	**6,43,509**	**6,43,509**	**11,35,580**	**11,35,580**

Source: Data taken from the annual report of Jothi Enterprise

The above table 2 shows that the schedule of changes in working capital of the Jothi Enterprise for the study period from 2011 to 2012. It was inferred that the working capital of the enterprises is increased during the year 2011 -2012. The table indicates an increasing trend of current assets during the study period. While comparing the last year the firm’s debtors decreased but it will not affect the working capital. Closing stock of the concern may increase during the year it results increase of current assets.

Table No: 3

Schedule of Changes in Working Capital for the Year 2012-2013

Particulars	**2012**	**2013**	**Increase**	**Decrease**
Current Assets				
Sundry Debtors	2,54,220	8,54,875	6,00,655	-
Advance	10,000	10,000	-	-
Cash on hand	36,288	1,35,981	99,693	-
Cash at Bank	23,201	-	-	23,201
Stock	16,11,250	14,83,315	-	1,27,935
Total current assets	**19,34,959**	**24,84,171**	**-**	**-**
Current Liabilities				
Sundry creditors	12,69,101	12,50,018	19,083	-
Vat payable	22,349	-	22,439	-
Total current liabilities	**12,91,450**	**16,53,060**	-	-
Net working capital	6,43,509	8,31,111	7,41,780	5,54,178
Increase in working capital	1,87,602	-	-	1,87,602
Total	**8,31,111**	**8,31,111**	**7,41,780**	**7,41,780**

Source: Data taken from the annual report of Jothi Enterprise

The table 3 shows schedule of change in working capital of the Jothi Enterprise for the study period from 2012 to 2013 It was inferred that the working capital of the Jothi enterprises is increased during the year2012 to 2013.while comparing the base year, it indicates a decreasing of the firm's current assets. But it will not affect the firm working capital, because it was in an increasing trend. The main reason of increasing of working capital is sundry debtors. On account of increasing current assets the firm gets increasing working capital.

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Table No. 4

Schedule of Changes in Working Capital for the Year 2013-2014

Particulars	**2013**	**2014**	**Increase**	**Decrease**
Current Assets				
Sundry Debtors	8,54,875	7,90,234	-	64,641
Advance	10,000	10,000	-	-
Cash on hand	1,35,981	1,66,975	30,994	-
Stock	14,83,315	21,78,285	6,94,970	-
Total current Assets	**24,84,171**	**31,45,494**		
Current Liabilities				
Sundry creditors	12,50,018	16,75,790	-	4,25,772
Bank Loan	-	-	3,85,542	-
Provision	3,85,542	-	17,500	-
Payable a/c	17,500	60,000	-	60,000
Total current liabilities	**16,53,060**	**17,35,790**		
Net working capital	8,31,111	14,09,704	11,29,006	5,50,413
Increase in working capital	5,78,593	-	-	5,78,593
Total	**14,09,704**	**14,09,704**	**11,29,006**	**11,29,006**

Source: Data taken from the annual report of Jothi Enterprise

The table 4 shows schedule of change in working capital of the Jothi Enterprise for the study period from 2013 to 2014. It was inferred that the working capital of the enterprises is increased during the year2013 to 2014. The table indicates an increasing trend of current assets during the study period. While comparing the last year the firm’s debtors decreased but it will not affect the working capital. Cash and Closing stock of the concern may increase during the year it results increase of current assets.

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Table No: 5

Current Ratio

Years	Current Assets	Current Liabilities	Ratio (In Time)
2009-2010	4,56,706	1,84,268	2.48
2010-2011	11,67,653	7,13,835	2.00
2011-2012	19,34,959	12,91,450	1.50
2012-2013	24,84,171	16,53,060	1.50
2013-2014	31,45,494	17,35,790	2.00

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the current ratio of the Jothi Enterprises for the study period of the year from 2009-10 to 2013-14. The current ratio has show decreasing trend in the entire study period. The ratio reaches the standard norm except the year 2011-12 and 2012-13. In 2013-14 the current assets to be increased, debtors particularly known that increasing in inventories in high level. At the same time current liabilities to be increased. It's known to increasing that creditor. So the ratio has shown in increasing trend. The overall liquidity of the concern is good and favorable.

Table No: 6

Quick Ratio

Years	Quick Assets	Quick Liabilities	Ratio (In Time)
2009-2010	4,56,706	1,84,268	2.48
2010-2011	6,76,253	7,13,895	1.00
2011-2012	3,23,709	12,91,450	0.25
2012-2013	10,00,855	16,53,060	1.00
2013-2014	9,67,209	17,35,790	1.00

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

Interpretation

The table shows the Quick ratio of the Jothi Enterprises for the study period of the year from 2009-10 to 2013-14. The Quick ratio has show fluctuating trend in the entire study period. Quick assets has shown increasing trend from Rs.4,56,706 in 2009-2010 to Rs.9,67,209 in 2013-2014. At the same time Quick liabilities it's also increasing trend. It's shown that the creditors are increased. So the ratio has shown in fluctuating trend. In all the study period except 2011-12, the ratio achieves the standard norm (1:1). So the Quick ratio to be better standard norm.

Table 7

Absolute Liquid Ratio

Years	Absolute Assets	Absolute Liabilities	Ratio (In Time)
2009-2010	75,001	1,84,268	0.40
2010-2011	98,014	7,13,835	0.13
2011-2012	59,489	12,91,450	0.04
2012-2013	1,35,981	16,53,060	0.08
2013-2014	1,66,975	17,35,790	0.09

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the absolute Liquid ratio of the Jothi Enterprises for the study period of the year from 2009-10 to 2013-14. The ratio has show fluctuating trend in the entire study period. The ratio has increased from 0.08 times to 0.09 in the year 2013-14. The absolute liquid assets to be increased, it's specially known that cash on hand. The ratio has decreased from 0.40 times to 0.09 times in the year 2009-10 to 2013-14. Because increasing current liabilities due to increasing creditors. The ratio has decreased in 0.04 times in the year2011-12 compared to other 4 years because the bank balances to be decreased.

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Table No: 8

Debt - Equity Ratio

Years	Absolute Assets	Absolute Liabilities	Ratio (In Time)
2009-2010	1,84,268	2,72,438	1.00
2010-2011	7,13,835	4,53,818	1.57
2011-2012	12,91,450	6,43,509	2.00
2012-2013	16,53,060	8,50,254	2.10
2013-2014	21,97,817	9,66,821	2.27

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the Debt – Equity ratio of the Jothi Enterprises for the study period of the year from 2009-2010 to 2013-14. the Dept-Equity ratio has increasing trend in the entire study period. The ratio has been highly enhanced of 2.27 times in 2013-14 compared to past 4 years. Due to increasing outsider fund its means that creditors to be increased. The concern is having a higher dept equity ratio when compared to the ideal ratio of 1:1, except in the year 2009-10 and 2010-11.

Table No: 9

Proprietory Ratio

Years	Absolute Assets	Absolute Liabilities	Ratio (In Time)
2009-2010	2,72,438	4,56,706	0.59
2010-2011	4,53,818	11,67,653	0.38
2011-2012	6,43,509	19,34,959	0.33
2012-2013	8,50,254	25,03,314	0.33
2013-2014	9,66,821	31,64,638	0.30

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the proprietory ratio of the Jothi Enterprises for the study period of the year from 2009-10 to 2013-14. the proprietory ratio has decreasing trend in the entire study period. The ratio has been decreased from 0.59 times in the year 2009-10 to 0.3 times in the year 2013-14 due to increasing total assets, it's particularly means that increasing stock and cash balance. The ratio has been stagnant during the year 2009- to 2013 due increasing equal position of share holder fund.

Table No: 10

Current Assets To Proprietors Fund Ratio

Years	Current Assets	Proprietors Fund	Ratio (In Time)
2009-2010	4,56,706	2,72,438	1.68
2010-2011	11,67,653	4,53,818	2.57
2011-2012	19,34,954	6,43,509	3.00
2012-2013	24,84,170	8,50,254	3.00
2013-2014	31,45,494	9,66,821	3.25

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the current assets to Proprietory fund ratio of the Jothi Enterprises for the study period of the year 2009-10 to 2013-14. The current asset to proprietory fund ratio has increasing trend in the entire study period. The ratio has been increasing trend for the study period. The current assets to be increased due to increasing stock trend for the study period. The ratio highly increased in the year 2009-10 to 2013-14 because increasing proprietory funds particularly increasing share capital. The ratio has satisfactory. The good liquidity position of the concern.

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Table No: 11

Debtors Turnover Ratio

Years	Sales	Debtors	Ratio (In Time)
2009-2010	13,83,687	3,51,705	3.93
2010-2011	29,62,295	5,68,239	5.21
2011-2012	42,57,775	2,54,220	16.74
2012-2013	70,61,321	8,54,875	8.26
2013-2014	59,46,890	7,90,234	7.52

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the Debtors turnover ratio of the Jothi Enterprises for the study period of the year from 2009-10 to 2013-14. The debtors turnover ratio has shown fluctuating rend in the entire study period. The ratio has been increased from 5.21 times in the year. 2010-11 to 16.74 time in the year 2011-12 due to increased sales because the concern to make selling expenses, to be increased the ratio has decreased from 16.74 time in the year 2011-12 to 8.26 in the year 2012-13 due to increase debtors especially the concern to provide credit sales. The debtors turnover ratio is low in the last two year, compared to previous year due to the concern improved the liquidity position and sales.

Table No: 12

Creditors Turnover Ratio

Years	Purchase	Creditors	Ratio (In Time)
2009-2010	11,38,733	1,84,039	6.28
2010-2011	31,76,519	7,11,560	4.46
2011-2012	51,15,967	12,69,101	4.03
2012-2013	63,36,262	12,50,018	5.06
2013-2014	61,97,635	16,75,791	3.69

Source: Annual Report of the Jothi Enterprises in Kumbakonam.

The table shows the creditors turnover ratio of the Jothi Enterprises fro study period of the year from 2009-10 to 2013-14. The creditors turnover ratio has shown decreasing trend except year 2011-12. The ratio has been decreased from 6.28 times in the year 2009-10 to 3.69 times in the year 2013-14. its knows that increasing creditors especially the concern purchase the product of the basis of credit. The ratio has been increased from 4.03 times in the year 2011-12 to 5.06 in the year 2012-13 due to increased purchase. The creditor's turnover ratio is low in the year by year and due to the enterprises to improve the financial position.

FINDINGS

- The current ratio is reaching the standard norm except in the year 2011-12 and 2012-13. Because current assets to be increased, its particularly know that increasing in inventories in high level.
- The Quick ratio is reaching the standard norm except in the 2011-12. Because Quick assets to be increased, its particularly known that increasing in debtors
- The Absolute Liquid Ratio is always under the standard norm. Because increasing current liabilities due to increasing creditors.
- The position of the debt equity ratio is reach the standard norm and satisfactory, except year 2009-10. Because increasing outsider fund. Its means that
- That position of the debt equity ratio is reach the standard norm and satisfactory, Export year 2009-10. Because increasing outsider fund. Its means that creditors to be increased.
- The proprietory ratio has decreasing, due to increasing total assets it's particularly means that stock and cash balance.
- The current assets to proprietory fund ratio increased. Because increasing current assets to be increased stock, cash in hand
- The debtors' turnover ratio s changing frequently. In the third year the ratio has very high, this is because increasing sales.
- The creditors' turnover ratio is fluctuated. Due to in the last year the ratio has very low because increasing creditors.

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SUGGESTIONS

Based on the above finding the following suggestions have been arrived to enhance the firm's financial performance.

- The concern should try to maintain the current assets through the year
- Dealers should attract the customer by giving special reduction in price at the time of festival
- The firm should try to reduce the credit basis on purchase
- The fir should try to increase its working capital to become a strong financial position.
- The enterprise effective utilization of the cash balance and stock by the management to overcome the liquidity position.
- The company should try to maintain its outsider's fund (or) debt financing. The increased shares of outsiders fund deals with the total long term funds shall enable the company to enjoy the benefits of trading on equity or financial leverage.

CONCLUSION

Based on the detailed study of the Jothi enterprises. It can be concluded that with the conduct of the working capital performance is satisfactory. Thus, by adopting new strategies, innovative ideas, advertisement the firm can be have better prospects in the future. The solvency position of the enterprises needs to be improved by reducing the quantum of debt. it is high time that the company bring high professionalism in order to given a new dimension in its functioning. The above suggestions can be taken into consideration to improve its performance.

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