

A Study On Cash Management in CBC Fashion (Asia) Private Limited

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Abstract: The need for cash to run the day-to-day business activities cannot be overemphasized. One can hardly find a business firm, which does not require any amount of Cash. Indeed, firms differ in their requirements of the Cash. A firm should aim at maximizing the wealth of its shareholders. In its endeavor to do so, a firm should earn sufficient return from its operation. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current asset for generating sales. Current asset are needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash. The objectives are to analyze the Cash management and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency/inefficiency of Cash. It was noticed in the study that the company had utilized its Cash efficiently and can also try to get more effective values by working on it. The cash required to meet out the current liabilities is maintained at a normal level that shows the company follows an average policy.

Keywords: Cash, Cash management, Ratio.

1. Introduction

Finance is one of the most primary requisites of a business and the modern management obviously depends largely on the efficient management of the finance. Financial statements are prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. At the right time to preserve solvency from the right sources and at the right cost of capital.

The term financial analysis is also known as analysis and interpretation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the Balance Sheet, Profit and Loss account and other operative data. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm.

2. Review of Literature

R. Murugesan (2018) The Cash Management Analysis done on the financial position of the company has provided a clear view on the activities of the company. The use of the ratio

analysis, trend analysis, Cash Flow Statement and other accounting and financial management helped in this study to find out the financial soundness of the company.

R. Ramamoorthy, S. Fabiyola Kavita, Arun Kumar (2017) The study reveals that company takes only moderate operating and low financial risk, the company must decide about the suitable level of cash balances. The cost of surplus cash efficiency must be coordinated to regulate the best level of money balances. This indirectly supports the company to emerge as on one of the dominant players in global market.

Yellaswamy Ambati (2016) The Company (SPML) is adopting the policy of investing temporary cash surplus in short-term investments and thereby avoiding bank overdraft and cash credits to meet the cash requirements of the company. In this company the cash ratio represented in almost all the financial years of study period below the rule of thumb i.e. 0.5:1 thus indicating poor liquidity position of the company. During the study period, the cash ratio of SPML range from 0.03 to 0.16. It clearly indicates that the SPML need to take proper measures in maintaining norms established to maintain its liquidity position.

Aviner Augusto Silva Manoel, Marcelo Botelho da Costa Moraes, David Ferreira Lopes Santos, Marcos Fava Neves, (2019) This research analyzes the effects of financial constraints on cash management of the Brazilian sugarcane industry. The results obtained indicated that smaller and younger organizations maintain higher levels of their total assets allocated in cash than those of larger size and older as financial constrain.

R. Early (2016) This chapter explains how milk, a natural source of human nutrition and functional textiles materials, serves as the raw material for the production of dairy products used as textiles stuffs in their own right and as ingredients in some problems faced by textiles producer. It discusses ways in which textiles can be reduced to its component parts, modified, processed and reassembled to achieve specific functional value for the manufacture of natural textiles ingredients used in specific textiles applications.

I. Wikman et al (2017) Pain is an important indicator of poor welfare of livestock. Despite this, pain has largely gone unrecognized in farm animals due to attitudes of producers and veterinarians, although they play a key role in monitoring and

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managing the perception of animal pain. Producer attitudes toward animal welfare influence livestock management and production. The aim was to quantify dairy producer attitudes to the painfulness of various cattle diseases and disbudding, a painful routine procedure performed on farm to ensure safer handling of cattle.

P.H.P. Prasanna *et al* (2018) Research and commercial interest in the genus Bifid bacterium have increased in the last decade due to their potential health benefits in probiotic functional textiles, especially in dairy products. However, cultivation of bifid bacteria in textiles is a difficult task compared with that of conventional starters because textiles are not a good medium for growth of these nutritionally fastidious microorganisms.

Zeeshan Hafeez *et al* (2019) Besides their basic nutritional role, dietary proteins contain bioactive peptides which are encrypted in their sequence and may modulate different body functions such as digestive, cardiovascular, immune and nervous systems, and therefore contribute in maintaining consumer health. Currently, textiles proteins are considered to be the major source of bioactive peptides.

Conor J. Doyle *et al* (2020) Spore forming bacteria are a significant concern for the international dairy industry. Spores present in textiles survive heat treatments and can persist during downstream processing. If they are present in sufficient numbers in dairy products, they can cause spoilage or lead to illness as a result of toxin production.

Ghanshyam Chand Yadav, Sunder Singhm (2017) Rapid growth in size of cash has been noticed in. SAIL in comparison of Tata steel during the study period. More investment in cash in SAIL in comparison to Tata Steel. On an average, SAIL, the percentage of cash to current assets is more than Tata Steel. which is show the strong position of liquidity in Public sector co.

3. Objective of Study

1. To study the cash management in fashion clothing Industry.
2. To determine how short term/Current obligations of the company are met by the liquidity ratio.
3. To know the short term solvency position and the trend.
4. To meet the cash disbursement needs.
5. To understand the proportion of the components of current assets.
6. To know the effective utilization of assets in day-to-day activities.
7. To make Suggestion and recommendation to improve the cash position of the company.

4. Need for the Study

1. The importance of cash management in any industrial concern cannot be overstressed.
2. The present study entitled "The impact of cash management on the organization"

5. Scope of the Study

1. The study only analyses the cash management

2. It helps to take short term financial decision.
3. It analyses the concern CBC Fashions Asia (P) Ltd only. It would not be applicable to the industry.
4. It indicates the cash requirement needed for plant or equipment expansion programmes.

6. Research Methodology

A. Research Design

The Research approach used for the study is descriptive. The form of the study is on the cash management in general and specific to the final position. A research design is concerned with turning question into a testing project. The best design depends on the research questions.

The research design has been considered as a "Blue print" for research, dealing with at least four problems: What question to study, what data are relevant, what data to collect, and how to analyze the results.

B. Data Collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes. Data collection is a term used to describe a process of preparing and collecting data, for example, as part of a process of improvement or similar project.

The required data for the study are basically secondary in nature and the data are collected from the audited reports of the company.

C. Period of the Study

The sources of data are from the annual reports of the company from the year 2016 to 2020.

D. Analytical Tools for the Study

During the course of research for the researcher for analysis and interpretation of data is given below has applied various tools.

- Ratio analysis
- Trend analysis

7. Data Analysis and Interpretation

A. Ratio Analysis

1) Working Capital Turnover Ratio

Working capital of a concern is directly related to sales (i.e.) the current assets like debtors, bills receivables, cash, stock etc., and change with the increase (or) decrease in sales.

Working capital = Current Assets - Current liabilities

Table 1
Working Capital Turnover Ratio

Year	Sales	Networking capital	Ratio
2015-16	316.00	35.81	8.82
2016-17	592.99	97.99	6.05
2017-18	773.40	101.23	7.64
2018-19	844.47	188.72	4.47
2019-20	654.39	164.32	3.98

Sources: Secondary data

Interpretation:

From the above table shows that the working capital turnover ratio is 8.82 in 2015-16 and decreased to 6.05 in 2016-17 and then increased to 7.64 in 2017-18. Then last year decreased to 3.98. This shows working capital turnover ratio is decrease level.

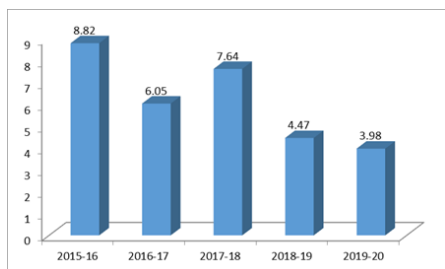


Fig. 1. Working capital turnover ratio

2) Net profit ratio

It establishes a relationship between net profit (after tax) and sales. It is determined by dividing the net income after tax to the sales for the period and measures the profit per rupee of sales.

$$Net\ Profit\ ratio = \frac{Net\ profit/Loss}{Net\ Sale} \times 100$$

Table 2
Net profit ratio

Year	Net Profit / Loss	Net Sales	Ratio (%)
2015-16	1.04	316.00	0.32
2016-17	1.81	592.99	0.30
2017-18	2.64	773.40	0.34
2018-19	3.63	844.47	0.43
2019-20	-8.35	654.39	-1.27

Sources: Secondary data

Interpretation:

The above table shows that the Net profit ratio from 2015-16 to 2019-20. The ratio shows that (0.32) at 2015-16 and increased to (0.34) at 2017-18 and then it was increased to -0.43 in 2018-19 and then Decrease to -1.27 in 2019-20. So the Net profit ratio is fluctuated trend and decreasing trend.

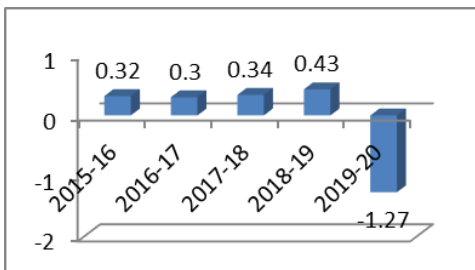


Fig. 2. Net profit ratio

3) Current ratio

Current ratio is the most common ratio for measuring liquidity. The current ratio is the ratio of total current assets to total current liabilities. Current ratio of affirm measures its term solvency i.e. ability to meet short term obligations. Current assets mean assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer.

$$Current\ assets = \frac{Current\ assets}{Current\ liabilities}$$

Table 3
Current ratio

Year	Current Assets	Current liabilities	Ratio
2015-16	57.48	21.67	2.65
2016-17	164.86	66.87	2.46
2017-18	157.11	55.88	2.81
2018-19	217.11	28.39	7.65
2019-20	211.95	47.63	4.45

Interpretation:

The above table shows that the current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (2.46) was obtained during the period 2015-2016 and the highest ratio (7.65) value obtained during the -2019. The current asset ratio is above than the Fluctuated in year by year. current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (2.46) was obtained during the period 2015-2016 and the highest ratio (7.65) value obtained during the -2019. The current asset ratio is above than the Fluctuated in year by year. Therefore, the current ratio is considered not satisfactory.

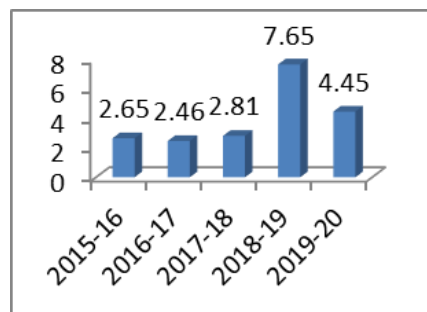


Fig. 3. Current ratio

B. Trend Analysis

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. You can then develop a strategy to respond to these trends in line with your business goals.

Table 4
Trend analysis

Year	Current Assets		Current Liabilities		Working Capital	
	Amount	Trend %	Amount	Trend %	Amount	Trend %
2015-16	57.48	100	21.67	100	35.81	100
2016-17	164.86	286.81	66.87	308.58	97.99	273.64
2017-18	157.11	273.32	55.88	257.86	101.23	282.69
2018-19	217.11	377.70	28.39	131.01	188.72	527.01
2019-20	211.95	368.72	47.63	219.80	164.31	458.87

Sources: Secondary Data

Interpretation:

The Current assets have increased 368.72% over the Five-years period while the current liabilities have increased 219.80 and the working capital have 458.87. These trend percentages reflect an unfavorable impact on net income because costs increased at a faster rate than sales.

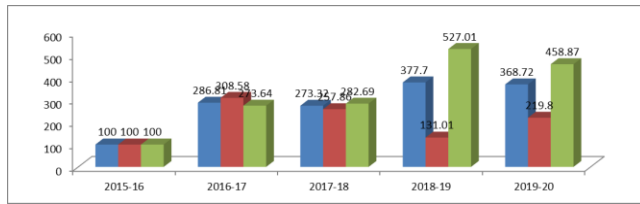


Fig. 4. Trend analysis

8. Conclusion

This shows that the firm needs to further streamlined its cash management system and also needs to frame better cash management policies. Mere cash balance in excess of requirement will not add anything to the concern. If it is not being put to use in proper manner, it definitely has an adverse effect in its profitability.

The surplus cash which is at the disposal of the firm should be invested in various financial instruments or it can be utilized in other purpose. If the firm takes proper care about its cash management system and manage its excess liquidity (i.e. over the optimum cash balance level) by having proper investment policies, it will definitely enhance its profitability and also help

in enriching its capital base. Cash management practice is relatively better in the halls of residence, although the researcher is of the opinion that much improvement could be made if Bursars are challenged and well-motivated by the appropriate authorities.

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