

# Research work on Working Capital

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**Abstract:** Working capital Management in the example units was wasteful. A lopsided interest in current resource in connection to deal brought about declining working capital turnover proportion. The organization did not pursue any reliable approach regarding speculation and financing of working capital. Despite the fact that there existed numerous chances to utilize exchanging on value and supporting for proper administration of working capital, the organization never utilized the equivalent. Having examined working capital as far as present proportion, fast proportion, working capital turnover proportion, stock turnover proportion, account holder's turnover proportion and normal gathering period, the investigation uncovered that the organization neglected to oversee stock proficiently which thus has brought about lower productivity

## I. INTRODUCTION

The term working capital is usually utilized for the capital required for everyday working in a business concern, for example, for acquiring crude material, for gathering everyday use on pay rates, compensation, rents rates, publicizing and so forth. However, there are much difference among different monetary specialists (Financiers, bookkeepers, agents and business analysts) with regards to the precise significance of the term working capital. [7],[ 9],[11]

## II. RESEARCH DESIGN

Research is an organized activity focused on specific objectives with the support of data collection involving tools for analysis driving logically sound inference. Research designs are the framework or plan a study that guides the collection and analysis of data. The function of research is to ensure that required the data collected or accurate and economically. The research is analytical in nature[13], [15],[ 17]

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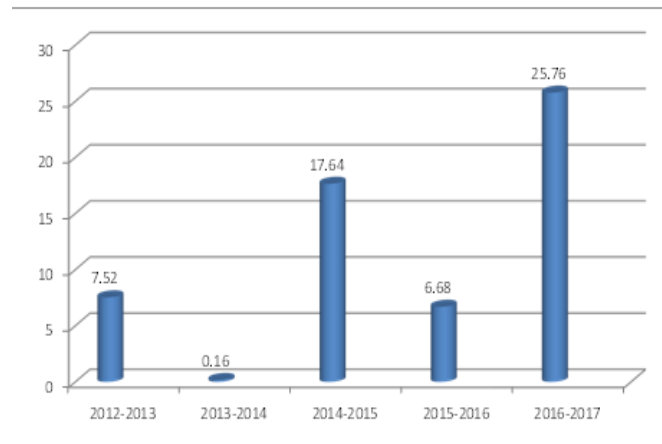
TABLE NO.4.10

WORKING CAPITAL TURNOVER RATIO (In Rupees)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	94466423	12557888	7.52
2013-2014	13249222	7986124	0.16
2014-2015	19162921	1085740	17.64
2015-2016	18442077	2759015	6.68
2016-2017	24904265	966483	25.76

CHART NO. 4.10

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF WORKING CAPITAL TURNOVER RATIO



INFERENCE

The above table exhibits that the working capital turnover ratio is changing continuously and it was low 0.16 during the period of 2013-2014

TABLE NO.4.1

CURRENT RATIO (In Rupees)

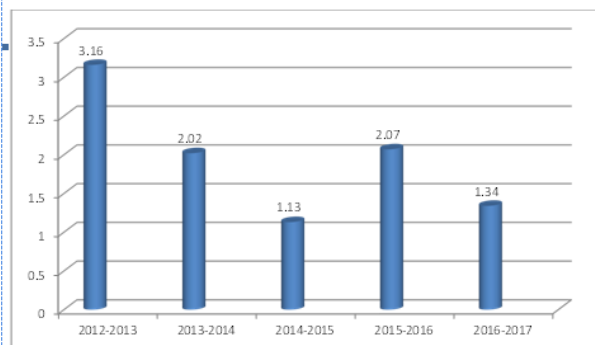
CURRENT RATIO =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Current Liabilities

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	18335520	5797632	3.16
2013-2014	14636269	6650145	2.20
2014-2015	9126380	8040640	1.13
2015-2016	5323215	2564200	2.07
2016-2017	3769243	2802760	1.34

CHART NO. 4.1

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF CURRENT RATIO

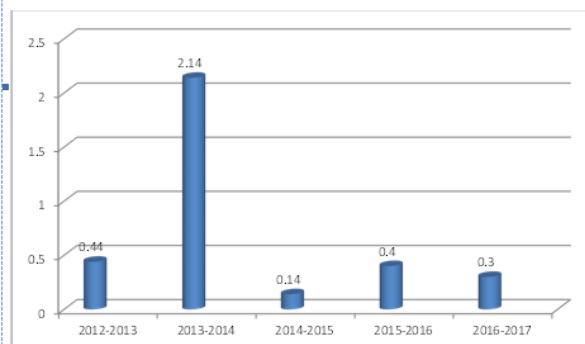


INFERENCE

From the above table one can understand that the current ratio is changing continuously and it was low 1.13 during the period of 2014-2015 and increase to 3.16 during the period of 2012-2013. In above shows that in of 2014-2015 the current ratio.

CHART NO. 4.2

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF LIQUIDITY RATIO



INFERENCE

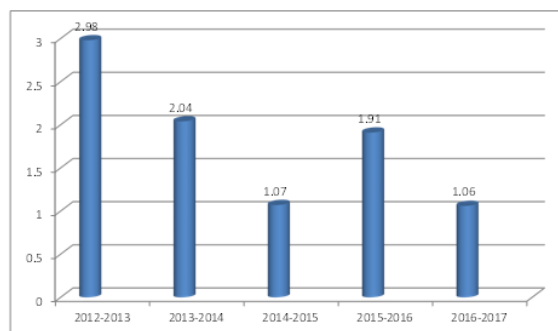
From the above table represent that the liquid ratio is changing continuously and it was low 0.30 during the period of 2016-2017 and it increase to 2.14 during the period of 2013-2014. As we analyzed the ratio we can see that of 2013-2014 the liquid ratio is very high because of high volume local sales.

TABLE NO.4.2

$$\text{LIQUIDITY RATIO (In Rupees)} = \frac{\text{LIQUID ASSETS}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	2531199	5797632	2.98
2013-2014	14257552	6650145	2.14
2014-2015	3257176	8040640	0.41
2015-2016	1024750	2564200	0.40
2016-2017	830208	2802760	0.30

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF ABSOLUTE LIQUID RATIO



INFERENCE

From the above table indicates that the absolute liquid ratio is changing continuously and it was low 1.06 during the period of 2016-2017 and it increase to 2.98 during the period of 2012-2013.

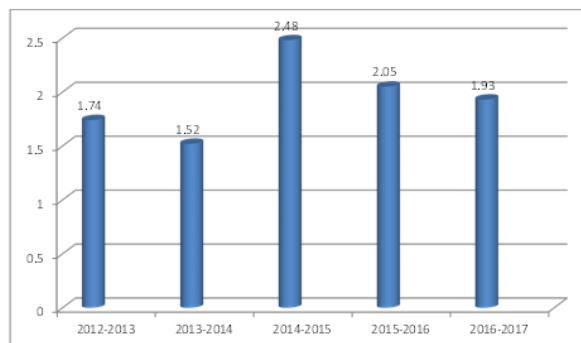
TABLE NO.4.3

$$\text{ABSOLUTE LIQUID RATIO (In Rupees)} = \frac{\text{CASH \& BANK BALANCE}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	17332292	5797632	2.98
2013-2014	13574946	6650145	2.04
2014-2015	8638025	8040640	1.07
2015-2016	4913050	2564200	1.91
2016-2017	2984728	2802760	1.06

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	14149016	8141622	1.74
2013-2014	9438667	6193427	1.52
2014-2015	5485825	2208803	2.48
2015-2016	6396102	3119080	2.05
2016-2017	6773896	3494580	1.93

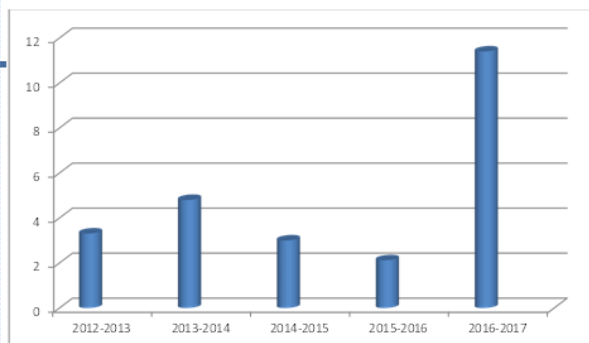
GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF DEBIT EQUITY RATIO



YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	3126797	94466423	3.309
2013-2014	636422	13249222	4.8
2014-2015	575495	19162921	3
2015-2016	391952	18442077	2.12
2016-2017	2854140	24904265	11.4

CHART NO. 4.5

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF GROSS PROFIT RATIO



INFERENCE

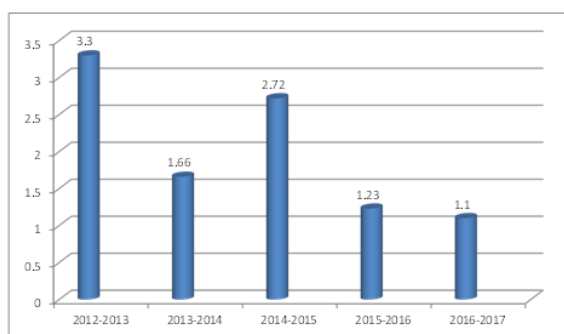
From the above table one can understand that the gross profit ratio is changing continuously and it was low 2.12 during the period of 2015-2016 and it increase to 3.309 during the period of 2012-2013. As we compare the gross profit ratio of every year it can be noticed that in 2016-2017 it is very high because of high export sales.

$$\text{NET PROFIT RATIO (In Rupees)} = \frac{\text{NET PROFIT AFTER TAX}}{\text{NET SALES}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	449387	5797632	3.3
2013-2014	319236	6650145	1.66
2014-2015	50277	8040640	2.72
2015-2016	307860	2364200	1.23
2016-2017	3769243	2802760	1.1

CHART NO. 4.6

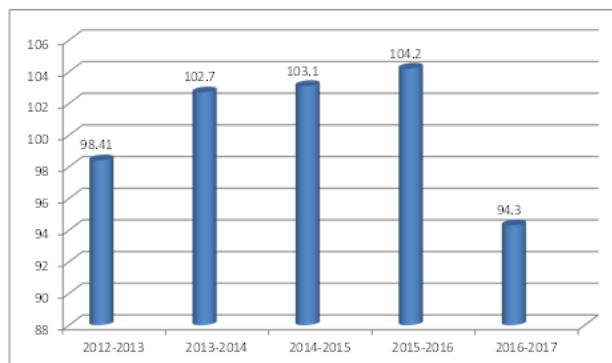
GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF NET PROFIT RATIO



$$\text{OPERATING RATIO (In Rupees)} = \frac{\text{OPERATING EXPENSES}}{\text{NET SALES}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	92972580	94466432	98.41
2013-2014	13618484	13249222	102.78
2014-2015	19763084	19162921	103.13
2015-2016	19225825	18442077	104.24
2016-2017	23506075	24904265	94.3

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF OPERATING RATIO



INFERENCE

From the above table indicates that the operating ratio is changing continuously and it was low 94.3 during the period of 2016-2017 and it increase to 104.24 during the period of 2015-2016 the local purchase was low so the operating ratio was also low compared to other year.

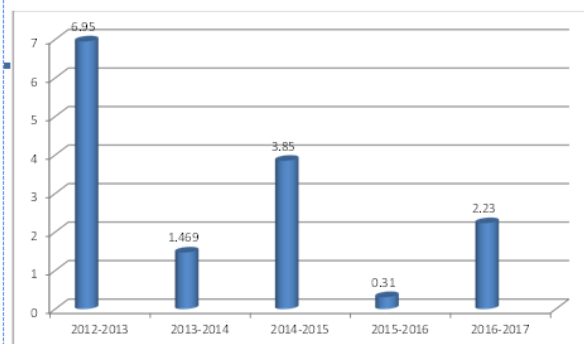
TABLE NO.4.8

$$\text{CAPITAL TURNOVER RATIO (In Rupees)} = \frac{\text{REVENUE}}{\text{AVERAGE W.C.P}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	94466423	13576835	6.95
2013-2014	13249222	9016387	1.469
2014-2015	19162921	4976206	3.85
2015-2016	1844077	5782900	0.31
2016-2017	24904265	11149563	2.23

CHART NO. 4.8

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF CAPITAL TURNOVER RATIO



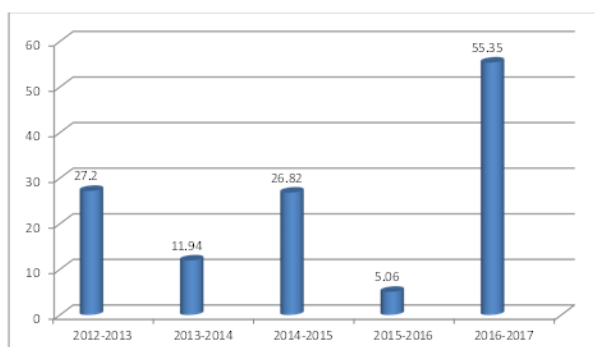
INFERENCE

From the above represent that the capital turnover ratio is changing continuously and it was low 0.31 during the period of 2015-2016 and it increase to 6.95 during the period of 2012-2013. The above table clearly seen that due to the un stability of local sales export sales delayed payment and government activities the capital turnover was not stable.

STOCK TURNOVER RATIO (In Rupees)= COST OF GOOD SOLD  
AVERAGE INVENTORING

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	94466423	3495598	27.2
2013-2014	13249222	11091156	11.94
2014-2015	19162921	714462	26.82
2015-2016	1844077	364030	5.06
2016-2017	249044265	449940	55.35

GRAPHICAL REPRESENTATION OF CHANGE OF DIRECTION OF STOCK TURNOVER RATIO



SCHEDULE OF CHANGE IN WORKING CAPITAL  
2015-2016 to 2016-2017

(IN Rupees)

Particular	2015-2016	2016-2017	INCREASE	DECREASE
<b>CURRENT ASSETS</b>				
Cash & Bank	10,24,750	8,30,208		1,94,542
Sundry Debtors	38,88,300	21,54,520		17,33,780
Advance Tax & TDS	2,84,745	4,59,995	1,75,250	
Closing Stock	1,25,420	3,24,520	1,99,100	
<b>TOTAL ASSETS(A)</b>	<b>53,23,215</b>	<b>37,69,243</b>		
<b>CURRENT LIABILITIES</b>				
Current liabilities	25,64,200	28,02,760		2,38,560
<b>TOTAL LIABILITIES(B)</b>	<b>25,64,200</b>	<b>28,02,760</b>		
<b>Working Capital (A-B)</b>	<b>27,59,015</b>	<b>9,66,483</b>	<b>3,74,350</b>	<b>21,66,882</b>
<b>Net increase Working Capital</b>		<b>17,92,532</b>	<b>17,92,532</b>	
<b>TOTAL</b>	<b>27,59,015</b>	<b>27,59,015</b>	<b>21,66,882</b>	<b>21,66,882</b>

Source: Compiled from Audited Annual Report of DE WAN HOUSING finance LOAN CORPORATION Limited.

III. RESULTS

The finding revealed from the analysis of the data in the previous chapter is summarized as below [2],[4],[6]

❖ The current ratio is changing continuously and it was low (1.13) during the period 2014-2015 and it increase to (3.16) during 2012-2013. As analyzed the ratio was less.

❖ The liquid ratio is changing continuously and it was low (0.30) during the period 2016-2017 and it increase to (2.14)

during 2013-2014. As analyzed the ratio was can see that in 2013-2014 the liquid ratio was very high because of high .

❖ The debt equity ratio is changing continuously and it was low (1.52) during the period 2013-2014 and it increase to (2.48) in the year 2014-2015. As analyzed the debt equity ratio was very less due to delay payment by the receiver.

❖ The gross profit ratio is changing continuously and it was low (2.12) during the period 2015-2016 and it increase to (3.309) during the period 2012-2013. As we compare the gross profit ratios of every year it can be noticed that in 2016-2017 it is very high because of high.

❖ The net profit ratio is changing continuously and it was low (1.23) during the period 2015-2016 and it increase to (3.3) during the period 2013-2014. As comparing the net profit ratios of the last five year.

❖ The operating ratio is changing continuously and it was low (94.3) during the period 2016-2017 and it increase to (104.24). As we analyzed the operating ratios was not done properly during the year 2016-2017 .

❖ The capital turnover ratio is changing continuously and it was low (0.3) during the period 2015-2016 and it increase to (6.95) during the period 2007-2008. As we analyzed capital turnover ratios is due to unstabilit.

❖ The stock turnover ratio is changing continuously and it was low (5.06) during the period 2010-2011 and it increase to (55.35) during the period 2011-2012. The company has to take adequate step to increase the inventory level in the proportions to increasing sale.

❖ The working capital ratio is changing continuously and it was low (0.16) during the period and it increase to (25.76) during the period 2016-2017. As we compared the working capital turnover ratios in the year 2016-2017 was high.

IV. CONCLUSION

The objective of working capital administration is to deal with the organizations current resources and current liabilities so that a palatable degree of working capital is kept up the significance of working capital oversight is reflected supervisors spend an in that the fund directors invest a lot of energy dealing with the present resources and current liabilities. Masterminding short group financing arranging positive credit terms controlling the development of money overseeing the record receivable and observing the venture expend a lot of time for the fund supervisors. Each Business Firm Needs To Keep Up A Sufficient Degree Of Working Money To Maintain The Business Easily Without Money Crunch. The Present Investigation Has Demonstrated That The Working Capital Position Of This Organization Is In An Acceptable Position And There Is An Expanding Pattern For The Future Time Frame. [1],[3],[5]

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