SUMMER TRAINING REPORT

ON

THE STUDY ON WORKING CAPITAL MANAGEMENT

AT

TL TRADING COMPANY

In the partial fulfillment of requirements for the award of the degree of

BACHELOR OF BUSINESS ADMINISTRATION

(SESSION 2023-24)

SUBMITTED TO

KURUKSHETRA UNIVERSITY

SUBMITTED BY

Chetna Pundeer

201002507

BBA FINAL YEAR

GOVT.PG COLLEGE FOR WOMEN, SEC 14 PKL

TL TRADING COMPANY

DEALS IN ALL KIND OF SANITARY AND HARDWARE

Date : 17/08/23

TO WHOM IT MAY CONCERN

THIS IS TO CERTIFY THAT MS.CHETNA PUNDEER , STUDENT OF BACHELOR OF BUSINESS ADMISTRATION (BBA) OF GOVT. P.G. SUCCESSFULLY COMPLETED A SUMMER INTERNSHIP IN THE FIELD OF FINANCE FROM 1ST JULY 2023 TO 15TH AUGUST 2023.

DURING THE PERIOD OF HER INTERNSHIP PROGRAM WITH US , SHE HAS BEEN EXPOSED TO DIFFERENT PROCESSES AND SHE WAS FOUND PUNCTUAL ,HARD WORKING AND INQUISITIVE .

WE WISH HER EVERY SUCCESSS IN HER LIFE AND CAREER.

TL TRADING COMPANY
Tarsem Lal
Partner

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DECLARATION

I undersigned hereby that this report entitled "THE STUDY OF WORKING CAPITAL MANAGEMENT" is a bonafide work prepared by me and it is original work. The findings in the report are based on data collected by me. This report is not submitted in any other university.

The work is humbly submitted to Govt. PG. College for women Sector 14,Panchkula (Kurukshetra University) for the award of degree of BBA.

Chetna Pundeer

(CHETNA PUNDEER)

BBA FINAL YEAR

DATE: 26-Aug 2023

PLACE

21/09/2023

ACKNOWLEDGEMENT

It is my pleasure to be indebted to various people who directly or indirectly contributed to the development of this work and who influenced my thinking, behavior and acts during the course of the study.

I am thankful to Dr. priyanka, college professor, for providing us with the inspiration and amazing support we needed to finish the project.

Last but not least I would like to thank the almighty and my parents for their moral support.

Chetna Pundeer

CHETNA PUNDEER

BBA FINAL YEAR

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INTRODUCTION

INTRODUCTION TO THE STUDY

Internship is a part of BBA program in kurukshetra university. This report is originated from the curriculum requirement of BBA program. I have done my internship at "TL Trading company" and have done my report study on working capital management of TL Trading company, zirakpur.

This study helps me to know the efficiency of management in working capital management of the company. Working capital is regarded as the life blood of any business, No business can run successfully without the adequate amount of working capital.

This study helps me to get a practical experience in this field.

INTRODUCTION TO WORKING CAPITAL MANAGEMENT

Working capital is an important component of overall financial management. Management of working capital like long- term financial decisions affects the risk and profitability of business. In business, two types of assets are used :-

Fixed Assets

Include land, building, plant and machinery, furniture and fittings, etc. Fixed assets are used in the business for a long period and purchased for the purpose of selling them to earn profit.

Current assets

On the other hand, are used for day to day operation of the business. For the efficient and effective use of fixed assets there should be adequate use of working capital in the business. Current assets include cash, bank, stock, debtors, etc .The capital employed in these assets is called working capital.

DEFINITION OF WORKING CAPITAL:

There is difference of opinion among different authors about the definition of working capital .Considering the objectives and scope of working capital. It can be defined in two ways:

1. Gross concept
2. Net concept

❖ Gross concept:

According to the gross concept, working capital means total of all the current assets of a business. It is also called gross working capital.

Gross working capital = Total current assets

❖ Net concept:

According to the net concept of working capital, net working capital means the excess of current assets over current liabilities. According to the concept, if current assets are equal to current liabilities, working capital will be zero and in case current liabilities are more than current assets, the working capital will be called negative working capital.

Net working Capital = Current Assets – Current Liabilities

Current assets are those assets which are converted into cash within one accounting period. For example- cash, debtors, bill receivables, cash and bank balances. Whereas current liabilities are those liabilities which have to be paid within an accounting year. For example- creditors, bills payable, short term loans, etc.

Net working capital is that part of current assets which has been financed from long term funds. It is therefore called circulating capital.

NEED FOR WORKING CAPITAL

For the efficient operation of the business. Working capital is required along with the fixed capital. Working capital is needed for the purchase of raw material and payment of various day to day expenses. There will be hardly any business which does not require working capital. The need for working capital is different in different businesses. Financial management aims at maximizing the wealth of shareholders. To achieve the objective, it is necessary to earn adequate profits. The profits depend largely on sales but sales do not result in cash immediately. To increase sales, goods are to be sold on credit, The collection of which takes place after sometime. Thus, there exists a gap between the sales of goods and realization of cash. During this period, expenses are to be incurred to continue business operations. For this purpose, working capital is required. The need for working capital can be explained with the help of operating cycle or cash cycle.

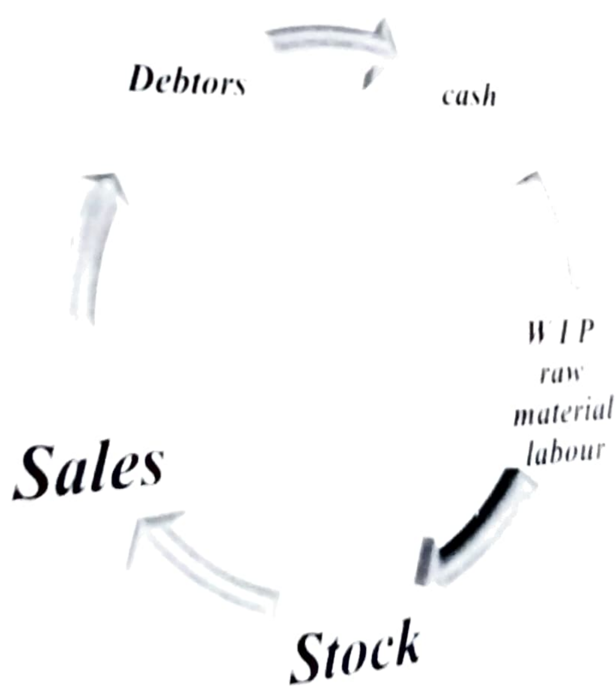
Operating Cycle

Operating cycle means that time period which is required to convert raw material into cash. In a manufacturing enterprise, raw material is purchased for cash, then raw material is converted into work-in- progress, which in turn gets converted into finished goods which again gets converted into debtors and receivables through sales and lastly cash is received from debtors and bills receivables.

In the **operating cycle** following events are included :-

- Conversion of cash into raw material
- Conversion of raw material into work-in-progress
- Conversion of work-in-progress into finished goods
- Conversion of finished goods into debtors and bills receivables.
- Conversion of debtors and bills receivables through sales into cash.

Following is the operating cycle:



The greater the period of working cycle, more will be the requirement of working capital.

Business enterprises engage in trading activities have smaller duration of operating cycle as compared to those engage in manufacturing business because in such enterprises cash is directly converted into finished goods.Because no business is able to match its cash inflow and cash outflows, therefore, the business needs to maintain some cash to pay its current liabilities in time. Similarly to maintain supply of goods to meet the demand in the market, the stock of finished goods has to be kept. For the smooth running of manufacturing work, stock of raw material has to be maintained. Firm has to sell on credit due to competition. Thus, business needs adequate working capital.

PERMANENT & VARIABLE WORKING CAPITAL

parmanent **variable**

In business current assets are required because of the operating cycle. But the need for the working marginal capital does not end with the completion of operating cycle. Operating cycle goes on continuously and therefore, in order to understand the need for working capital, it becomes essential to distinguish between permanent and variable or temporary working capital.

- **<u>Permanent working capital</u>** :

The requirement of current assets do not remain stable throughout the year and fluctuate from time to time. A certain minimum about of raw material, work-in-progress and finished goods and cash must be maintained regularly in the business

So, that day to day operations of the business could continue without any obstacles. This minimum requirement of working capital is called permanent or regular working capital.

❖ Variable working capital :

In certain months of the year, the level of business activities is higher than normal and, therefore, additional working capital may be required along with the permanent working capital. It is known as variable or temporary working capital.

FACTORS AFFECTING WORKING CAPITAL

Production Policy

Credit Policy

Level Of Taxes

Price Level Changes

Production Policy

- Nature of business
- Growth and expansion
- Production cycle
- Business fluctuations
- Production policy
- Credit policy
- Availability of raw material
- Turnover of investors
- Level of taxes
- Dividend policy
- Price level changes
- Operating efficiency
- Magnitude of profit

a) **Production policy:**

The determination of working capital needs depend upon the production policy of the business. The demand for certain products is seasonal i.e., such products are purchased in a certain months of a year.

b) **Credit policy:**

Credit policy affects the working capital requirement in two ways-

I. Terms of credit allowed by the customers to the firm.

II. Terms of credit available to the firm.

If the firm sells goods on credit to the customers , it would increase the amount of debtors and consequently the requirement of more working capital.

c) **Level of taxes:**

Whole of the cash profit is not available for working capital. Taxes and dividends are to be paid out of profits. Taxes are a statutory liability but it can be planned. Taxes are to be paid within a reasonable time. If tax liability is high ,more working capital will be needed.

d) **Price level changes:**

Price level changes also affect working capital needs. If the prices of different goods increase, to maintain same level of production , more working capital is needed.

e) **Operating efficiency:**

Efficiency of management is also an important factor to determine the working capital. Management can reduce the working capital requirement by the efficient use of resources.

f) **Magnitude of profit :**

Magnitude of profit is different for different business. Nature of product, control on the market and availability of managers etc. determine the quantum of profit. If the margin is high, it will help to arrange funds internally which will also increase the working capital

g) **Turnover of inventories :**

The greater the turnover of inventories i.e., finished products , work in progress, raw material lesser will be the requirement of working capital. If turnover is lower more working capital is needed.

h) **Availability of bank credit :**

If the firm is in a position to get financial help easily from the bank at the time of its need, it keeps a low level of working capital, but if such facility is not available, firm will have to keep greater working capital.

i) **Depreciation policy:**

It also affects the working capital. Depreciation does not result in outflow of cash. Therefore, it affects working capital indirectly.

OBJECTIVES OF WORKING CAPITAL MANAGEMENT

By optimizing the investment in current assets and by reducing the reducing the level of current liabilities. The company can reduce the looked-up of the fund in working capital thereby. It can improve the return on capital employed in the business.

The second important objective of working is that the company should always be in a position to meet. It's current obligation which should properly be supported by current asset available with the firm. But maintaining excess funds in working capital means locking of fund without return.

The firm should manage its current assets in such way that the Marginal return on investment in these assets is not less than the cost of capital employed to financial the current asset.

The firm should maintain proper balance sheet current assets and current liabilities to meet its day to day financial obligations.

IMPORTANCE OF WORKING CAPITAL MANAGEMENT

Working capital is the lifeblood and nerve center of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of the business. No business can run successfully without the adequate amount of working capital. The adequate amount of working capital in business has the following advantages:-

- **Cash discount:**

Firm can get cash discount by making cash payment for the goods purchased by it.

- **Availability of raw material on regular basis:**

If the firm makes payment to its creditors for raw material in time, it can have availability of raw material regularly which does not cause any obstacle in the production process. Adequate working capital increases paying capacity of the business.

- **Increase in debt capacity and goodwill:**

Availability of adequate working capital increases the debt paying capacity of the business. The firm as a result, does not faces any difficulty to raise additional loans in future.

- **Facilitates the distribution of dividends:**

Sometimes, the profit in business are quite high, but due to shortage of cash, management faces difficulty to pay dividend at a proper rate to the shareholders. Adequacy of working capital in business facilitates distribution of dividends without any difficulty. In absence of working capital. management has a tendency of retraining profit.

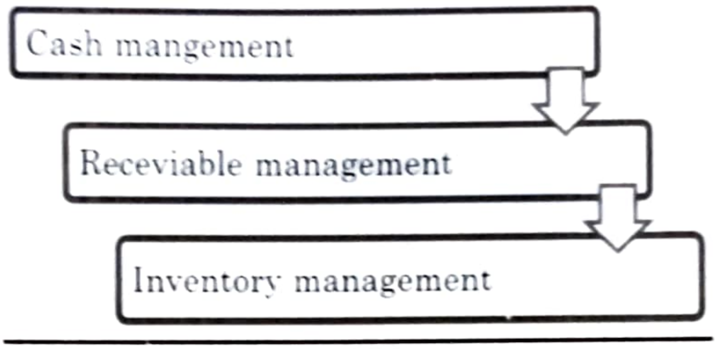
❖ Advantages of favourable opportunities:

Whenever, there is possibility of increase in the prices of raw material, business can purchase more raw material if it has adequate working capital. Similarly, it can purchase marketable securities at a time when their prices are low in the market. Thus, it can take advantages of favourable business opportunities.

❖ Fuller utilization of fixed assets:

In the absence of working capital, fixed assets remain unutilized. In case adequate working capital is available, they can be used to their maximum production capacity.

COMPONENTS OF WORKING CAPITAL



▪ Cash Management

Cash is one of the current assets of the business. Its needed at all the times to keep the business going. A business concern should always keep sufficient cash for meeting its obligation. Any shortage of will hamper the operations of the business any excess of it will be unproductive. Cash is the most unproductive of all the assets. Cash management deals will the following –

a) Cash inflows and outflows
b) Cash flows within the firm
c) Cash balance held by the firm at the point of time

▪ Inventory management

Inventories constitute the most significant part of the current assets of a large majority of companies in india. Inventories are stock of the product a company is manufacturing for sales and components that make up the product.

The various forms in which inventories in manufacturing company are

a) Raw material
b) Work in progress
c) Finished goods

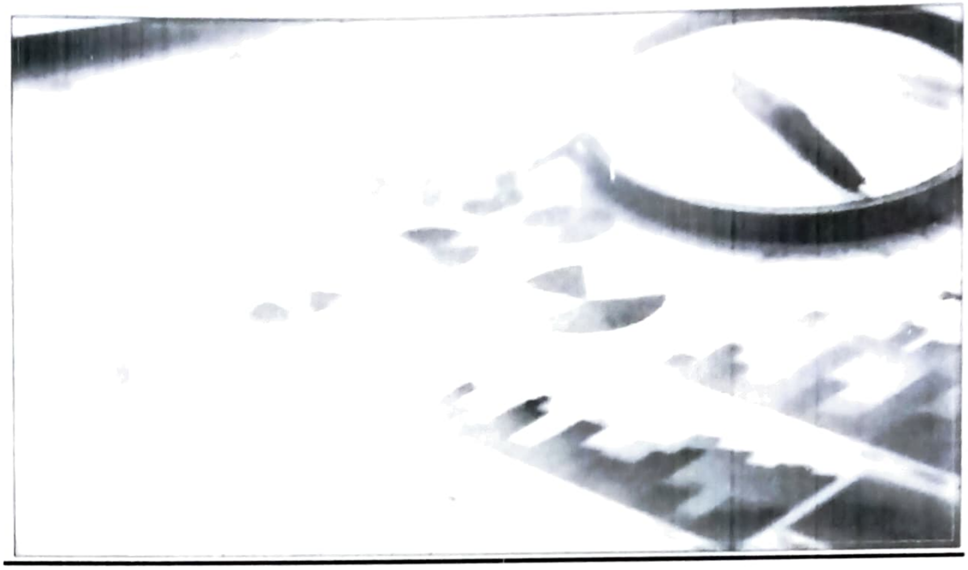
- **Receivables management**

Receivable management is a business strategy designed to ensure that a company operates efficiently by monitoring and collecting its accounts receivable to the best effect.

Factors influencing the size of receivables

a) Terms of trade
b) Size of credit sales
c) relation with profit
d) credit policies

RATIO ANALYSIS



Ratio analysis is a technique of analyzing financial statements. It helps in estimating financial soundness or weakness. Ratio is a quantitative relationship between two items for the purpose of comparison. The items present in profit and loss account and balance sheet are related to each other. This relationship can be calculated with the help of ratios.

Ratios help in drawing meaningful conclusions by establishing relationship between various facts. On the basis of their interpretation, unfavourable situations in the future can be avoided.

Definition:

"Ratios are simply a mean of highlighting in arithmetical terms the relationship between figures drawn from financial statements".

_ hunt, William & Donaldson

Forms of expressing ratios:

The relationship between two numbers can be expressed in three forms:-

1) **Proportion** :

If the current assets of the business are Rs. 5,00,000 and current liabilities 25,50,000, the proportion of current assets and current liabilities will be 5,00,000:2,50,000 or 2:1.

2) **Percentage**:

In it, the relationship between two numbers is expressed in percentage form. If the Gross profit of business is 50,000 and sales are 2,00,000, the Gross profit is 25% of sales.

3) **Quotient**:

It explains how many times one number is greater then the other.

Objectives of ratio analysis:

- Helpful in efficient appraisal
- Helpful in evalution of financial position
- Helpful in control
- Useful in coordination
- Helpful in forecasting
- Helpful to investors, financial institutions & employees.

Significances of ratio analysis

1) Helpful in simplifying financial data:

Ratio analysis simplifies the complex and large figures of financial statements which enable to understand their relative importance.

2) Helpful in determining trends:

By the use of ratio analysis, the trend in profit, sales, coast, etc. of the previous year can be determine by analyzing the financial statements and future forecasts can be made accordingly. Future plans are based on these forecasts.

3) Helpful in controlling:

By comparing the ratios regarding efficiency and financial position with the standard ratios, unfavourable results can be controlled.

4) Benefits to other parties interested in business:

Creditors can determine short-term solvency of business with the help of ratio analysis. Financial institutions and long term creditors can determine whether the business is able to repay their loan and interest on time. Investors can decide about the future investments in the business.

5) Helpful in locating weak spots:

With the help of ratio analysis the management can find out which activities are being operated successfully and which are not and where more control is required.

6) Helpful in measuring operating efficiency:

Ratio analysis is also helpful to assess the managerial efficiency. It helps in determine whether the assets are being used optimally or not.

7) Overall profitability:

Overall profitability can also be determined by the management with the help of ratios.

CLASSIFICATION OF RATIOS

Liquidity ratio

- Current ratio
- Quick ratio

Solvency ratio

- Debt equity ratio
- Properietary ratio
- Capital genrating ratio

Turnover ratios

- Stock turnover ratio
- Trade receivable turnover ratio
- Fixed asset turnover ratio

Profitability ratio

- Gross profit ratio
- Operating cost ratio
- Net profit ratio

Company profile

TL Trading company

About us

TL Trading is a trading company in Punjab. we established longer and closer working relationships with our clients and suppliers, not only provide immediate and reliable services but to continually exceed expectations and goals.

TL Trading company's main nature of business consist of wholesale business, supplier of survices, retail business, warehousing depot .our company deals in all kinds of hardware and sanitary materials, construction material like – cement , bricks, crushed stones.

Our Mission:

- Providing quality products and reliable services and sourcing from reputed manufacturers.

- Being the preferred supplier of our customers, with our product exceeding their quality requirement.

Our Focus:

TL Trading company focuses to foster growth and promote enduring business tie with its clients. Customer responsiveness and commitment is the driving forces in the quest for excellence.

OUR MAJOR PRODUCT RANGE


SOMANY
SOMANY

Legal information

Year established **2009**

Business type - **partnership firm**

GST Reg. no. - **03AANFT5276GIZY**

Place type- **Real estate**

Main nature

of business - **wholesale business, supplier of service.**

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

MEANING:-

Research is defined as the production of new knowledge or the innovative application of pre-existing knowledge to produce novel ideas, approaches, and comprehensions. This could include **combining and evaluating** earlier research to the extent that it produces original and innovative results. Applied research, experimental development, and pure and strategic basic research are all included in the definition of research.

The methodology may include research interviews, surveys and other research techniques.

Research methodology is a broad term. While method of data collection and data analysis represent the core of research methods. You have to address range of additional elements with the scope of research the most important element of research methodology expected to be covered in business dissertation at bachelor's degree, masters and PHD level include research philosophy, research approach, and method of data collection , sampling and ethical consideration.

Data collection:

- The task of data collection begins after a research problem has been defined and research design has been chalked out.
- While deciding about the method of data collection to be used for the study, the research should keep in mind two types of data that is primary and secondary data.

OBJECTIVES OF THE STUDY

The objectives of the study can be explained under two categories. They are :-

BROAD | **SPECIFIC**

1. BROAD OBJECTIVES:

The objective of the study is to gain an insight into the concept of working capital management, how working capital is managed in companies and how it influence the overall performance of the company.

2. SPECIFIC OBJECTIVES:

- To study and analysis the working capital management concept.
- To study the different ratios related to working capital.
- To study operating cycle

RESEARCH DESIGN

A research design is an arrangement of condition for the collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure.

The research design applicable for the proposed study is analytical. Hence, facts and information are available as a secondary detail. In this study, financial details of past few years' records are taken into consideration to make analysis and to obtain the result.

a) Source Of Data

The data is collected from secondary sources such as-

- Annual reports of the company
- Information discussed with the manager (Dept. of Accounts)
- Company website

b) Research Tools :-

- Working capital ratios
- Time series table

Ratio used for the study:

- Current ratio
- Quick ratio
- Creditors turnover ratio
- Working capital turnover ratio
- Current assets turnover ratio
- Debtors turnover ratio

- Inventory turnover ratio
- Current assets to Total assets turnover ratio
- Fixed assets turnover ratio

c) Period of study:

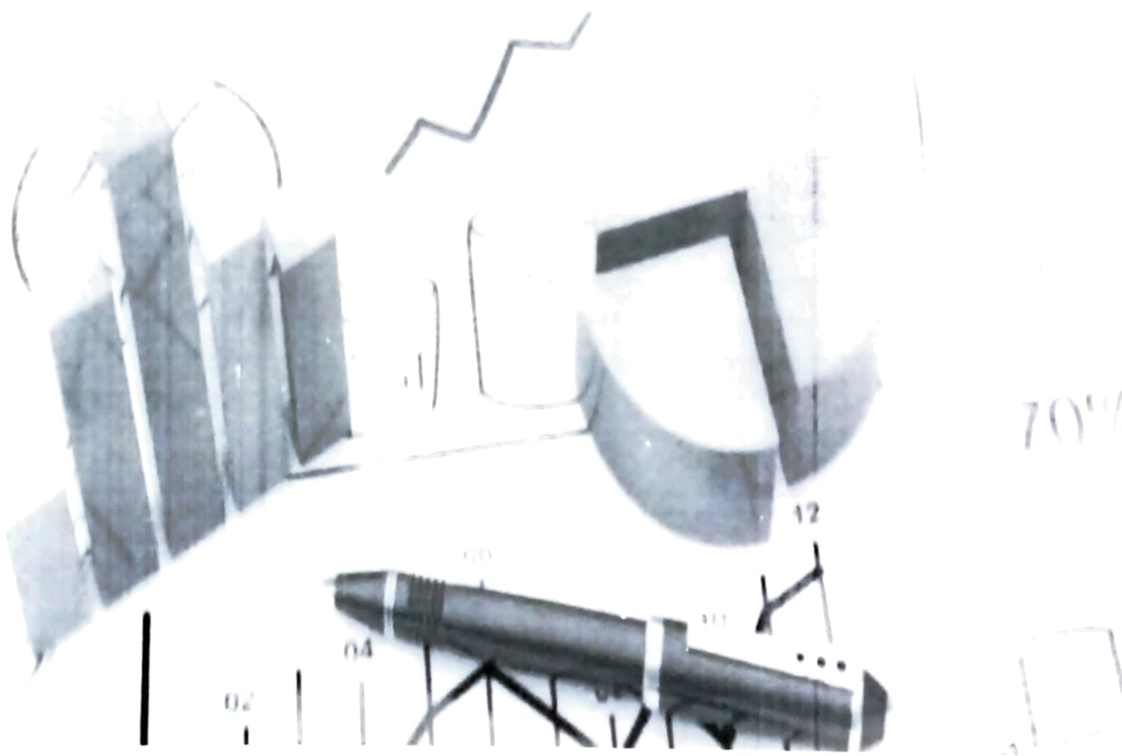
The period of the study is 45 days (1st July to 15th Aug)

d) Scope of study:

The scope of the study is limited to working capital management of TL Trading company. The study is not only limited to the cash, inventories and debtors but also to analyze the firms overall working capital position with the help of different ratios. The study is confined to the period of (2017-2018 to 2021-22) and the information for the study was made available from the annual report and other records of the company.

DATA ANALYSIS
AND
INTERPRETATION

Analysis of working capital through different ratios



- ## Current ratio:

The current ratio is the ratio of total current assets to current liabilities. The current assets of a firm converted into cash within short period of time not exceeding one year. The current liabilities defined as liabilities which one short term maturity obligation to be meeting has originally contemplated within a year. current ratio is calculates by

Current ratio = current assets /current liabilities

Year	Current Assets(Rs in '000)	Current liabilities(Rs in '000)	Current ratio(in times)
2017-18	156359	41535	3.76
2018-19	226419	102032	2.22
2019-20	337575	216775	1.56
2020-21	435764	289786	1.20
2021-22	609398	449686	1.35

TABLE 1: CURRENT RATIO

Interpretation

The above table exhibits the current ratio of the company, Which is showing a fluctuating trend from the year 2017-18 onwards till the year ending 2021-22. It was 3.76 in the year 2017-18, Which was not good to the firm as the ideal ratio is 2:1 and then reached to 2.22 which is near to ideal ratio in the year 2018-19. From 2019-20 to the final year 2021-22 is declining and it becomes 1.35.

- **Net Working Capital:**

The Net Working Capital represents the excess of current assets over current liabilities. The enterprise should have sufficient networking capital in order to meet claims of the creditors and the day to day needs of the business. It is calculated by

Net Working capital = current asset –current liabilities

Year	Current Assets(Rs in '000)	Current liabilities(Rs in '000)	Net working capital
2017-18	156359	41535	114824
2018-19	226419	102032	124387
2019-20	337575	216775	120800
2020-21	435764	289786	145978
2021-22	609398	449686	159712

TABLE 2: NET WORKING CAPITAL

Interpretation

The table shows that from 2017 – 2018 there is an increase in working capital and the next year there is a decline in net working capital. But it is again seen that there is an increase in the net working capital in the year 2021-22 as compared to the previous year.

• Quick ratio (Acid test ratio):

The acid test ratio the measure of liquidity design to overcome the defects of the current ratio. It overcomes the defects of current asset and current liabilities and its calculated but dividing the quick assets by current liabilities Quick assets are those assets which can be converted into cash immediately. Quick ratio is calculated by:

Quick ratio = Quick Assets / Current liabilities

Quick Assets = Current Asset – Stock

Quick Liabilities = Current Liabilities - Bank Overdraft

Year	Quick Assets (Rs in '000)	Quick Liabilities (Rs in '000)	Quick Ratio(in times)
2017-18	39940	41535	0.96
2018-19	97281	102032	0.95
2019-20	202592	216775	0.93
2020-21	239372	289786	0.83
2021-22	385006	449686	0.85

TABLE 3: QUICK RATIO

Interpretation

If the quick ratio is higher the liquidity position is sound. But the liquidity position of the firm will be affected if it has slow paying debtors. The liquidity position of the firm is sound except in the year 2020-21. Its ratio is 0.83

- ## Inventory Turnover Ratio:

The ratio indicates whether investment in inventory is efficiently used or not. It therefore, explains whether investment in inventories is within proper limits or not. It also measures the effectiveness of the firm's sale efforts. The ratio is calculated as follows:

Inventory turnover ratio = Net Sales / Average inventory

Average Inventory = (opening Stock + closing stock) / 2

Inventory holding period = 365 / inventory turnover ratio

Year	Quick Assets (Rs in '000)	Quick Liabilities (Rs in '000)	Quick Ratio(in times)
2017-18	39940	41535	0.96
2018-19	97281	102032	0.95
2019-20	202592	216775	0.93
2020-21	239372	289786	0.83
2021-22	385006	449686	0.85

TABLE 4: INVENTORY TURNOVER RATIO

Interpretation

From the above table it is clear that the inventory turnover ratio of the firm is turning around 2 to 3. When inventory increases sales will reduce and when inventory decreases sales will increase. That means higher the ratio better for the concern. But the ratio has declined to 2.06 during the last year 2021-2022.

- ## Debtors turnover ratio:

Debtors' turnover ratio is also called debtor velocity or receivable turnover. The purpose of this ratio is to measure the liquidity of the receivable or to find out the period over which receivables uncollected. The shorter the average collection period. the better the trade credit management. On the other hand a longer the collection period indicates poor debt management and there is an increasing chance of bad debt and other collection expenses.

Debtors Turnover ratio = Net Credit sales / Average Debtors

Average Debtors = (opening debtors +closing debtors) / 2

Debt collection period = Number of days in a year / debtors

Year	Net Credit Sales (Rs in '000)	Average debtors (Rs in '000)	Debtors turnover ratio (in times)	Debt collection period(in days)
2017-18	377730	31839	11.86	31
2018-19	391544	54537	3.19	114
2019-20	407905	114812	3.55	103
2020-21	429590	168422	2.55	143
2021-22	462394	346158	1.3	280

TABLE 5: DEBTORS TURNOVER RATIO

Interpretation

From the above table it is clear that the debt collection period is increasing which is bad to the firm. In the year the firm has only taken 31 days for collecting debt, but the debt collection period in the year 2021-2022 has increase to 280 days which is not good to the firm.

- ## Creditors Turnover Ratio:

Creditor's turnover ratio is also known as creditor's velocity. Creditor's turnover ratio is the number of times average creditors are turned over during the year. Longer the period of outstanding payable lesser is the problem of working capital of the firm.

Creditors Turnover Ratio = Net Purchase / (Creditors + Bills Payable)

Payment Period = 365 / creditor's turnover ratio

Year	Net Credit Purchase (Rs in '000)	Creditors (Rs in '000)	Creditors turnover ratio(in times)	Debt payment period(in months)
2017-18	321587062	9964308	32.27	0.37
2018-19	346394253	54313169	6.37	1.88
2019-20	346394253	85820833	4.25	2.82
2020-21	365278038	58679391	7.54	1.59
2021-22	176715122	28978631	1.63	7.36

TABLE 6: CREDITORS TURNOVER RATIO

Interpretation

From the above table it is clear that the firm's creditor's ratio is fluctuating year by year. In the year 2017-2018 the firm has taken longer period for payment. The ratio has declined next two years 2018 – 19 & 2019 – 20. The next year it has increased to 7.54. During the last year the ratio has again decreased to 1.63. The firm's credit turnover ratio is slowest, which is good to the firm.

• Working capital turnover ratio:

The ratio indicates the number of times the working capital is turned over in the course of a year. The high ratio indicates efficient utilization of working capital and the lower ratio indicate otherwise.

Working Capital Turnover Ratio = Net Asset / Net Working Capital

Year	Net Sales (Rs in '000)	NWC (Rs in '000)	WC turnover ratio (in times)
2017-18	377730	114824	3.28
2018-19	391544	124387	3.15
2019-20	407905	120800	3.37
2020-21	429590	145978	2.94
2021-22	462568	159712	2.89

TABLE 7: WORKING CAPITAL TURNOVER RATIO

Interpretation

A firm is using its working capital in a well manner only when they sell more with less amount of working capital. The efficiency of using working capital of a firm can measure with the help of working capital turnover ratio. From the above table we can see that the ratio is fluctuating year by year. The firm shows an increasing as well as decreasing trend. In the year 2017 – 2018 the ratio was 3.28 which has declined to 3.15 in 2018 -19, again it has increased to 3.37 in the year 2019 -2020 and coming last two years it has declined to 2.89

• Current assets turnover ratio:

The ratio is computed by dividing the net sales of the concern by a current asset and expressed the result as a number of times. The higher the turnover ratio the more efficient is the management and utilization of the assets. While low turnover ratio are indicates of under utilization of available resources and presence of idle capacity.

Current Asset Turnover Ratio = Net Sales / Current Asset

Year	Net Sales (Rs in '000)	Current Assets (Rs in '000)	Current Assets turnover ratio (in times)
2017-18	377730	156359	2.14
2018-19	391544	226419	1.73
2019-20	407905	337575	1.21
2020-21	429590	435764	0.98
2021-22	462568	609398	0.75

TABLE 8: CURRENT ASSETS TURNOVER RATIO

Interpretation

From the above table it is clear that the current asset turnover ratio is in declining trend. The current asset turnover ratio is declining year by year. In this year 2017 – 2018 the ratio was in a good position as it is high as compared to other 4 years. The ratio in 2017 – 2018 is 2.41 and the ratio has reached to 0.75 during the year 2021 – 2022.

• Current Assets to Total Asset Ratio:

Current Asset to Total Asset ratio = Current Assets / Total Assets

Year	Current Assets (Rs in '000)	Total Assets (Rs in '000)	Current Assets to Total Assets ratio
2017-18	156359	159708	0.98
2018-19	226419	166184	1.35
2019-20	337575	150012	2.35
2020-21	435764	181852	2.39
2021-22	609398	641444	0.95

TABLE 9: CURRENT ASSETS TO TOTAL ASSET RATIO

Interpretation

From the above table , it has been seen that the current assets to total assets ratio of the company is showing an increasing trend in the year 2017-2018 the ratio is 0.98 then it has increased to 1.36 and till the two years it has been increased. It has declined to 0.95 in the final year.

FINDINGS, SUGGESTIONS &LIMITATIONS

FINDINGS

Working capital management has become an important area where the company cannot avoid it as they should minimize the liquidity position.

The findings of the study are:

- Except for the year 2019-20 and 2021-22 the working capital has been increased year by year.
- The firm's working capital turnover ratio is 3.28 in the year 2017-18 and has declined to 3.15 in the year 2018-19. Again it has increased to 3.37 in the year 2019-20 and declined to 2.94 in the year 2020-21. At last the final year it is declined to 2.89. That means the firm was generating high amount of sales with less amount of working capital.
- The current ratio of the firm is proportionate in the generally accepted norm 2:1. But the firm's current ratio is showing a decreasing trend during 2018 – 2022.
- The quick ratio is almost equal to the generally accepted norm 1:1 except in the year 2020-21 and 2021-22. This shows that the company's liquidity position is satisfactory.
- The inventory turnover ratio is showing a satisfactory performance except in the year 2020-21 and 2021-22
- The debtor's turnover ratio is showing a decrease trend. Higher the ratio it is good to the firm and the firm ratio in the year 2017-18. In the remaining years the firm has taken an average of 120 days for debt collection
- The working capital of the firm has increased as the current assets are

more than current liabilities. But regarding current liabilities like creditors early payment is not necessary.

SUGGESTIONS

- The firm is showing an increasing trend in the working capital. So the company should maintain it in the future.
- The ideal current ratio is 2:1, so the company should try to improve its current ratio.
- The company should maintain the Quick ratio to the ideal ratio 1:1.
- The company should increase the inventory turnover ratio and maintain it for the future years. As the working capital turnover ratio is showing a decreasing trend which is not good for the firm.
- The working capital turnover ratio is decreased in the recent years 2020-21& 2021-22. The company should increase the working turnover ratio.
- The sales of the company is increasing year by year. The company should maintain the increment of sales without extending the credit period.
- The company should try to increase the debtor's turnover ratio and maintain it constantly. As the company's debtor turnover ratio is showing a decreasing trend.

LIMITATIONS

- Only the general tools of financial analysis are used for the study
- The study was based on limited information provided by the management.
- Time is the major limit factor of the study. It is not possible to analyze all the aspects in detail within the time allotted.
- Some information is confidential, those information may not be made available in the project.

CONCLUSION

CONCLUSION

To conclude I would like to mention here is that this project work out is very helpful for me. This is a unique opportunity to discuss the concept of text book with an organization. This provided a break through to apply theoretical knowledge in practical corporate world. And this experience will be helpful for future performance.

This study was done with the help of various tools and techniques to analyze the working capital management of TL Trading company. After the research it is clear that the overall working capital of the company was very good as the current assets are more than the current liabilities during the last five years.

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