



# A study on working capital management in domain2host

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## Abstract

The uses of funds of a concern can be divided into two parts namely long-term funds and short-term funds. The long – term investment may be termed as ‘fixed investment.’ A major part of the long-term funds is invested in the fixed assets. These fixed assets are retained in the business to earn profits during the life of the fixed assets. To run the business operations short-term assets are also required. 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, rents rates, advertising etc. But there are much disagreement among various financial authorities (Financiers, accountants, businessmen and economists) as to the exact meaning of the term working capital.

## Keywords

Financiers, fixed investment, accountants, businessmen

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## 1. Introduction

Working capital refers to the circulating capital required to meet the day to day operations of a business firm. Working capital may be defined by various authors as follows:

“The sum of the current assets is the working capital of the business” —J.S.Mill Working capital is defined as “the excess of current assets over current liabilities and provisions”. But as per accounting terminology, it is difference between the inflow and outflow of funds. In the Annual Survey of Industries (1961), working capital is defined to include “Stocks of materials, fuels, semi-finished goods including work-in-progress and finished goods and by- products; cash in hand and bank and the algebraic sum of sundry creditors as represented by (a) outstanding factory payments e.g. rent, wages, interest and dividend; Short-term loans and advances and sundry debtors

comprising amounts due to the factory on account of sale of goods and services.

## 2. Review of Literature

Working Capital management is the management of assets that are current in nature. Current assets, by accounting definition are the assets normally converted in to cash in a period of one year. Hence working capital management can be considered as the management of cash, market securities receivable, inventories and current liabilities. In fact, the management of current assets is similar to that of fixed assets the sense that is both in cases the firm analyses their effect on its profitability and risk factors, hence they differ on three major aspects: In managing fixed assets, time is an important factor discounting and compounding aspects of time play an important role in capital budgeting and a minor part in the management of current assets.

## 3. Objectives

Study of the working capital management is important because unless the working capital is managed effectively, monitored efficiently planed properly and reviewed periodically at regular intervals to remove bottlenecks if any, the company cannot earn profits and increase its. To study the working capital management of Domain2Host., Chennai.

1. To study the optimum level of current assets and current liabilities of the company.
2. To study the liquidity position through various working capital related ratios.
3. To study the financial performance using trend analysis tool
4. To know the profitability position of the company through ratio analysis

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#### 4. Research Methodology

1. To provide reliable financial information about economic resources and obligation of a business firm.
2. To provide other needed information about charges in such economic resources and obligation.
3. To provide reliable information about change in net resources (resources less obligations) missing out of business activities.
4. To provide financial information that assets in estimating the learning potential of the business.

#### 5. Findings

1. In the year of 2013, 2014 and 2015 shows increase in Working Capital. This indicates that the company has ability of payment of short-term Liability.
2. The fixed assets ratio indicates that the working capital of this company is funded by long-term funds which indicate efficient funds management.
3. The Short –term Liquidity and long- term Liquidity position of the concern were studied to evaluate the Working Capital of the concern. During the study period 2013 to 2017 the current ratio of the concern varied from 8.63 to 2.21. But 2015 - 2016 is varied from 0.77.
4. The Quick ratio of the concern during the period 2013 - 2017 the study is varied from 7.22 to 1.67. Which was much greater than the prescribed standard of 1:1. So the company Liquidity level is satisfactory.

#### 6. Conclusion

The present study reveals that the liquidity position of this company is comparatively good as it approaches the standard norms throughout the period of study. On the whole, it can be concluded that the company's overall risk evaluation process is not at desired level and the author has made the realistic recommendation for the improvement in operational and managerial efficiency of the company as to maintain and increase further by effective.

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