AN ANALYSIS OF THE EFFECTIVENESS OF WORKING CAPITAL MANAGEMENT SYSTEM IN PRIVATE COMPANIES: A CASE STUDY OF UPDATE PRODUCTIONS (PVT) LTD

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ABSTRACT

This study provides an analysis of the effectiveness of working capital management system of Update Productions (Pvt) Ltd. Update Productions is an organisation operating in the paper printing industry since 1993 and it was chosen as a case study to give a general conclusion on the ways and means of minimising the risk of business failures, especially in the paper printing industry, due to the inefficient management of working capital. Existing relevant theoretical literature was critically reviewed, compared and contrasted in relation to the management of the four major components of working capital which are cash, receivables, payables and inventory. In addition to the theoretical review, conclusions and findings from previous related studies were also reviewed. To arrive at the conclusions on the research problem, primary data was collected through the use of a questionnaire and interviews. The questionnaire was distributed to 12 respondents in the managerial positions within the organisation's finance and stores department. The data was then presented, interpreted and analysed in chapter four. The main conclusion drawn was that the extent to which theoretical ways of managing working capital, spelt out by many authoritative authors, are applicable is limited by the economic environment in which the organization is operating hence the need to develop other contingent solutions to effectively manage working capital. These theoretical ways are applicable in stable economic environments. In addition, this research inquiry on the impact of capital expenditure on working capital found out that financing capital expenditure projects with cash from day to day operational business activities negatively affects the liquidity position of the company. Further studies were recommended on the area of cash management in small firms in the paper printing industry.