Appendix VIII
QUESTIONNAIRE

STRICTLY CONFIDENTIAL

WORKING CAPITAL MANAGEMENT IN ELECTRONICS INDUSTRY IN INDIA

I. GENERAL

1. Name of the Company ____________________________

2. Date of Incorporation ____________________________

3. Year of Commencement of
   Manufacturing Operations ____________________________

4. No. of Divisions/Units under its control ____________________________

5. Sector in which Operating:
   Consumer Electronics/Component Electronics/
   Professional Electronics/ All the Sectors

II. WORKING CAPITAL MANAGEMENT

1. Who is the executive responsible for the overall working capital management of your organisation?

2. How do you determine the working capital requirements? Please mark the appropriate alternative:
a) By making detailed estimates of various components of working capital such as cash, marketable securities, receivables and Inventory

b) A certain percentage of fixed capital
c) Any other (Please specify).

3. How do you control working capital?

a) By budgetary control

b) Any other (Please specify).

4. Do you prepare working capital budget in coordination with the budgets of production, sales and collection function?

Yes / No

If yes, do you experience any problem in the matter of coordination? State briefly:

5. Do you review your working capital?

Yes / No

If yes, how often
Monthly ( )
Quarterly ( )
Yearly ( )
Any other ( )

6. What technique is followed to review the working capital position?
   a) Fund Flow Statement
   b) Any other (please specify).

7. If after reviewing working capital is found to be inadequate, what is the cause of inadequate working capital?
   a) Cash shortage
   b) No/Under investment in marketable securities
   c) Under investment in receivables
   d) Under investment in inventory.

8. What is the effect of inadequate working capital in your organisation?
   a) Low liquidity
   b) Low profitability
   c) High Interest charges
d) Lower Prices of Company's shares

e) Industrial sickness

f) Under utilisation of capacity

g) Failure to meet commitments to creditors, workers, Bank, Govt. Agencies

h) Any other (please specify).

9. If after reviewing working capital is found to be excess, what is the cause of excess working capital?

a) Excess inventory

b) Over investment in receivables

c) Excess/idle cash

d) Over investment in securities

e) Any other (please specify).

10. What is the effect of excess working capital?

a) Loss of interest on idle funds

b) Liberal credit to customers

c) Speculative dealings
d) Misdirection of funds to

i) Directors

ii) Officials of the enterprise

iii) Associated concerns

iv) Any other agency (please specify).

11. What basis is adopted for allocation of working capital to the various segments such as cash, marketable securities, receivables and inventories?

a) By preparing different budgets

b) By setting standard ratios

(Please indicate the name of ratio)

c) Any other (please specify).

12. In your opinion what is the real management problem relating to the working capital.

13. Do you consider 'changes in prices' while determining the working capital requirements?

Yes/No
14. What is the effect of continued inflation on working capital requirements?

III. FINANCING OF WORKING CAPITAL

1. What is the policy of the enterprise about financing of working capital? Please indicate the percentage

a) From share capital

b) By ploughing back profits

c) From long-term loans

d) Short-term borrowings from banks.

8. Do your enterprise acquire loans from the Government of India to finance working capital?

Yes / No

Any other additional information, opinion or comments you want to give:
IV. INVENTORY MANAGEMENT

1. Who is the executive responsible for the overall inventory management in your organisation?

2. How do you determine the minimum level of inventory? Is it on the basis of:
   a) Consumption during lead period
   b) Consumption during lead period plus safety margin
   c) Changes in prices
   d) Any other (please specify).

3. How is the maximum level of inventory determined? Is it on the basis of

<table>
<thead>
<tr>
<th>Primary consideration</th>
<th>Secondary consideration</th>
</tr>
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<tbody>
<tr>
<td>a. Opportunity cost of funds ( ) ( )</td>
<td>( )</td>
</tr>
<tr>
<td>employed</td>
<td></td>
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<tr>
<td>b. Storage space available ( ) ( )</td>
<td>( )</td>
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</tbody>
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c. Carrying cost of Inventory (such as Insurance, Interest and rent)

d. Supply conditions of goods

e. Price changes

f. Future production plans

g. Bulk discount

h. Import considerations

i. Any other (please specify).

4. How do you determine the safety stock?
Is it on the basis of

a) Variation in lead period
b) Variation in consumption rate
c) Any other (please specify).

2. Is the safety stock even throughout the year?
Yes / No

6. After how long, do you review the minimum and maximum level of inventory?
(Please indicate the period) ___________________________
7. Is the inventory report prepared? Yes / No

If yes, please indicate the period ____________________________

8. What system of ordering do you follow?
   a) The fixed order quantity system or EOQ system
   b) Fixed period order system or periodic review system or replenishment system
   c) Single order and scheduled part-deliveries system
   d) Any other (please specify).

9. Do you have ABC classification of inventories? Yes / No

If yes, please answer the following questions
   a) Who looks after the procurement of 'A' items
   ____________________________
   b) What is the period of stock reports of 'A' items to the top management?
   ____________________________
   c) Who looks after the procurement of B&C items?
   ____________________________
   d) Do you have issue record of 'C' items also? Yes / No
10. Do you have optimum level of inventory Yes / No

11. Who performs the function of inventory control?

   a) Stores department       b) Purchase department
   c) Production and planning department
   d) Any other (Please specify).

12. Do you confront? (Please mark at appropriate place)

   a) Stock out: if so, how often during the year
   b) Obsolescence
   c) Pilferage, if so, the amount of loss involved
   d) Quality erosion
   e) Shortage of liquid funds accompanied by overstocking.

V. RECEIVABLES MANAGEMENT

1. Who is the executive responsible for the receivables management in your organisation?

2. How do you determine the level of investment in receivables? (Please mark at appropriate place)

   a) By making sales forecast
b) By adjusting past figures

c) By tradeoff between cost of carrying receivables and profits from sale

d) Any other (Please specify).

3. Do you prepare accounts receivables report? Yes / No
If yes, please mark at the appropriate place.

a) Monthly
b) Quarterly
c) Any other (please specify).

4. What is the credit policy?

a) Period of credit

b) Other terms such as cash discount, etc.

c) Different terms from the terms extended by other companies.
   If yes, (please give details)

 d) Any other (please specify).

5. How is a particular credit application evaluated?

a) By analysing the balance sheet and other financial statements
b) By bank checks

c) By some past experience

d) By making references to other companies in the trade

e) Any other method (please specify).

6. What is your collection policy? Is it

a) Strict

b) Soft?

7. If the amount on due date is not received, what steps do you take? (Please mark at the appropriate place)

a) Write reminders (please give numbers) ______________

b) Contact on telephone (Please indicate the ______________
   stage)

c) Hand over the case to your solicitor
   (Please indicate the stage) ______________

d) Seek the help of collection agency
   (Please indicate the stage) ______________

e) Prefer to compromise
   (Please indicate the stage) ______________

f) Any other (Please specify). ______________
8. Are the credit and collection policies determined by the same individual or by different persons? (Please indicate their designations)

VI. CASH MANAGEMENT

1. Who is the executive responsible for the cash management in your organisation?

2. What are your objectives for keeping cash?
   a) to meet current obligations
   b) to allow for contingencies
   c) to take the benefit of favourable market conditions
   d) any other (please specify).

3. In your organisation how the optimum level of cash balance is determined?
   a) By means of cash budget
   b) A certain percentage of working capital (Please indicate percentage)
   c) A certain percentage of total capital (Please indicate percentage)
d) A certain percentage of any component of working capital (Please give the name of component and indicate percentage)

e) Any other (please specify).

4. Do you prepare cash report? Yes / No

If yes, please mark at the appropriate place

a) Daily b) Weekly c) Fortnightly d) Any other (please specify).

5. What are your costs of running out of cash?

a) Have to pay higher rate of interest

b) Have to lose discounts on payments

c) Financial reputation suffers

d) Any other (please specify).

6. How are your requirements of cash met when the balance goes down the minimal desirable level? Is it

a) By utilising the bank credit line

b) By liquidating marketable securities
c) By raising loans or deposits from institutions or persons other than banks
d) By delaying payments
e) By disposing of surplus fixed assets
f) By unloading raw material/finished goods at a loss
g) Any other (please specify)?

7. How do you invest temporary cash surpluses, if any?

a) In purchasing marketable securities
b) In paying short/long-term liabilities
c) In lending to associates
d) In availing cash discount on prompt payment to creditors
e) In saving bank account
f) Any other (Please specify).

8. What techniques are adopted to intensity the inflow of cash?

a) Centralised cash collection centres
b) Lock box system
VII. MARKETABLE SECURITIES

1. How is the optimum level of investment in marketable securities determined?

   a) A certain percentage of working capital  
      (Please indicate the percentage)  

   b) Temporary cash

   c) Bank surplus

   d) Any other (please specify).

2. When do you invest in marketable securities?

   a) When there is excess cash

   b) When the return on such investment is more than transactions costs and other costs

What types of securities are generally purchased?

   a) Govt. securities  
   b) Preference shares

   c) Equity shares  
   d) Any other (please specify).