APPENDIX VII

QUESTIONNAIRE

PROBLEMS OF WORKING CAPITAL MANAGEMENT OF SELECTED PHARMACEUTICAL COMPANIES IN MAHARASHTRA STATE

I. GENERAL

1. NAME OF THE COMPANY:

2. ADDRESS:
   OFFICE
   FACTORY

3. DATE OF INCORPORATION.

4. NAME OF THE PRINCIPAL PRODUCTS:

5. AUTHORITY TO LOOK AFTER WORKING CAPITAL MANAGEMENT:

II WORKING CAPITAL MANAGEMENT
(PLEASE TICK OFF ONE OF THE APPROPRIATE ALTERNATIVE)

1. How is working capital determined?
   a) By making detailed estimate of various components of working Capital such as cash, marketable securities, receivables and inventory.
   b) A percentage of fixed assets.
   c) A percentage of sales
   d) Based on product life cycle.
   e) Any other, please specify.
2. How do you control working capital?
   a) By budgetary control.
   b) By periodical reports.
   c) Any other, please specify.

3. How do you assess the working capital position of the company?
   a) Cash-flow statement.
   b) Funds-flow statement.
   c) Any other, please specify.

4. Is the working capital reviewed at regular intervals?   Yes/No
   If yes, specify:
   a) Daily.
   b) Weekly.
   c) Monthly.
   d) Quarterly.
   e) any other, please specify

5. How do you allocate the working capital to various components?
   a) Production estimate
   b) By preparing different budgets.
   c) By determining ratios (name the ratio).
   d) Any other, please specify

6. How do you finance the working capital?
   a) From share capital.
   b) By ploughing back profits.
   c) From long term loans.
   d) From bank borrowings/short-term loans.
   e) Any other, please specify.

7. What percentages of current assets are financed through bank borrowings?
   Please specify the percentage. ............
8. Please give the cause of inadequate working capital, if it is found inadequate. It is because of 
   a) Under investment in inventory.
   b) Under investment in receivables.
   c) No/under investment in marketable securities.
   d) Any other, please specify.

9. Please give the cause of excess working capital, if it is found to be excess. It is because of 
   a) Excess inventory.
   b) Excess amount of receivables.
   c) Excess cash balance.
   d) Any other, please specify.

III INVENTORY MANAGEMENT

1. How do you determine the minimum level of inventory? It is on the basis of: 
   a) Consumption during the lead period.
   b) Consumption during the lead period plus safety margin.
   c) Change in price.
   d) Any other, please specify.

2. How do you determine the maximum level of inventory? It is on the basis of (A) Primary consideration (B) Secondary consideration: 
   a) Opportunity cost of funds employed.
   b) Carrying cost of inventory.
   c) Storage space available.
   d) Supply conditions of goods.
   e) Price fluctuations.
   f) Future production plans 
   g) Any other, please specify.
3. How do you determine the safety stock? It is on the basis of:
   a) Variation in lead period
   b) Variation in consumption rate.
   c) Any other, please specify.

4. Is the safety stock maintained throughout the year? Yes/No

5. After how long, do you review the minimum and maximum level of inventory? (Please specify the period).

6. Do you prepare inventory report? Yes/No. If yes, please indicate the period.

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

8. Do you have ABC classification of inventories? Yes/No
   If yes, please answer the following.
   a) Who looks after the procurement of items?
   b) What is the period of stock reports of items to the top management?
   c) Who looks after the procurement of B and C items?
   d) Do you maintain record for C items also? Yes/No

9. Do you have optimum level of inventory? Yes/No

10. Who perform the function of inventory control?
    a) Stores department.
    b) Purchase department.
    c) Production and planning department.
    d) Any other, please specify.
IV RECEIVABLES MANAGEMENT

1. How do you determine the level of investment in receivables?
   a) By making sales forecasts.
   b) By adjusting past figures
   c) By trade off between cost of carrying receivables and profit from sales.
   d) Any other, please specify.

2. Do you prepare accounts receivable report? Yes/No. If yes indicate if it is:
   a) Monthly
   b) Quarterly
   c) Any other, please specify.

3. The average duration of credit allowed to customer is ........ to ........ Days.

4. The cash discount is allowed for prompt payment in your concern. Yes/No. Please specify rate of discount. .......

5. Is your credit terms different from terms extended by other companies in the same industry? If yes please give details.
   ………………………………………………………………………………………………

6. How do you evaluate a particular credit application?
   a) By analysing balance sheet and other financial statements.
   b) By bank checks.
   c) By making reference to other companies in the trade.
   d) Past experience.
   e) Any other, please specify.

7. What is your collection policy? Is it:
   A) Stringent.
   B) Liberal.
8. If you do not receive the amount on due date, what steps do you take?
   a) Write reminders.
   b) Contact on telephone.
   c) Hand over the case to your lawyer.
   d) Seek the help of collection agency, if any
   e) Prefer the compromise.
   f) Any other, please specify.

9. Are the credit and collection policies determined by the same individual or by
different persons? Yes/No

V TRADE CREDIT
1. The method for purchase of goods in your concern is on
   a) Credit only.
   b) Through Bank only.
   c) On both the methods.

2. The credit purchases are in the form of
   a) Open account.
   b) Trade bills acceptance.

3. The average duration of credit allowed by supplier is ........ to ........ Days.

4. The cash discount received for prompt payment in your concern. Yes/No.
   Please specify rate of discount. ........

VI CASH MANAGEMENT
1. The reason for keeping the cash in your company is:
   a) For meeting daily obligations.
   b) To take advantage of favourable market condition.
   c) To secure cash discount from suppliers.
   d) To meet contingencies.
   e) Any other, please specify.
2. How do you determine the optimum level of cash balance?
   a) By means of cash budget.
   b) By a certain percentage of total capital (please indicate the percentage)
   c) By a certain component of working capital (please mention the component and percentage)
   d) By a certain percentage of working capital
   e) Any other, please specify.

3. Do you prepare the cash reports? Yes/No. If yes is it
   a) Daily
   b) Weekly
   c) Fortnightly
   d) Any other, please specify.

4. What is your cost of running out of the cash?
   a) To pay higher rate of interest.
   b) To loose discount on payments.
   c) To suffer financial reputation.
   d) Any other, please specify.

5. How do you meet your requirements of cash when cash balance goes below the minimum desirable level of cash?
   a) By utilising bank credit line.
   b) By liquidating marketable securities
   c) By raising loans or deposits from institutions or persons other than bank
   d) By delaying payments
   e) Any other, please specify.

6. How do you invest excess cash?
   a) In purchasing marketable securities.
   b) In paying short terms/long term liabilities
   c) In lending to associates
   d) Any other, please specify.
7. What techniques do you adopt to intensify the inflow of cash?
   a) Centralised cash collection centers.
   b) Lock box system
   c) Concentration banking
   d) Any other, please specify.

8. How do you determine the optimum level of investment in marketable securities?
   a) A certain percentage of working capital.
   b) Any other, please specify.

9. When do you invest in marketable securities?
   a) When there is excess cash
   b) When return on such investment is more than transaction cost and other costs.
   c) Any other, please specify.

10. What type of securities is generally purchased?
    a) Government securities
    b) Preferential shares
    c) Equity shares
    d) Any other, please specify.

VII. OTHERS

Any other piece of information, opinion or comments you would like to give:

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