CHAPTER 2

Working Capital Management in Public Enterprises
- A Theoretical Perspective

The issues to be addressed in this chapter include:

- PUBLIC SECTOR IN INDIA - AN OVERVIEW
- MANAGEMENT OF WORKING CAPITAL IN PEs
- WORKING CAPITAL MANAGEMENT - A CONCEPTUAL FRAMEWORK FOR THE STUDY
2.1 Public Sector in India ~ An Overview:

In a Study on public enterprises, one would expect at the outset an overview of public enterprises in the country. The present section deals with the same. The emergence of the public sector in India is traced back to the third and fourth decades of the penultimate nineteenth century. After the attainment of independence and the advent of planning era in 1951, the public sector in India has made tremendous progress in its scope and role in the national economy. The proclamation of Industrial Policy Resolution of 1956 and the adoption of the socialist pattern of society as our national goal added further vigour and strength to the public sector in the country.

According to the Encyclopedia of the social sciences, a public enterprise is a form of organisation which enables a group of individuals to act under a common name in carrying on one or more related enterprises, holding and managing property and distributing the profits for the beneficial interest in such enterprises or property among the associates. Its structure is defined and sanctioned by a statute, charter or certificate granted by the state, its share are transferable, its life is independent of the lives of the individuals, and its debts do not usually create a liability for the latter. Public enterprise in business denotes an enterprise or undertaking which is controlled and operated by the government as its sole owner or

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major shareholders. By public enterprise is meant the industrial, commercial and economic activities carried on by the Central Government or by the State Government and in each case either solely or in association with private enterprise, so long as it is managed by a self contained management\textsuperscript{2}. Thus the term public enterprise refers to a concern owned and managed by the Government or any other public authority constituted by law and rules made thereunder. In this sense, public enterprises include Government Departments, Government Enterprises, whether in the central or state sector, irrigation and power projects, railways, post & telegraph or ordnance factories and other departmental undertakings and banking, insurance, financial and other services.

In India public enterprises have been set up in the three types of organisation, viz, (i) Government Departments (ii) Public Corporations and (iii) Government Companies constituted under section 617 of the Companies Act 1956.

Policy on the public sector has been guided by the Industrial Policy Resolution of 1956 which gave the public sector a strategic role in the economy. Massive investments have been made over the past five decades to build a public sector which has a commanding role in the economy. These enterprises successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas. However, after the initial concentration of public sector investment in key infrastructure areas, public enterprises be-

gan to spread into all areas of economy including non-infrastructure and non-core areas also.

In fact, the objectives of public enterprises are so broad as its scope itself. A.N. Banerjee points out that the objective of public enterprises are, to gain control of the commanding heights of the economy; promote critical development in terms of social change and strategic value rather than primarily on consideration of profits, and provide commercial surpluses with which to finance economic development. However, in the recent report of Department of Public Enterprises entitled "Public Enterprise Survey, 94-95", the objectives have been mentioned as: 1) to help in the rapid economic growth and industrialisation of the country and create the necessary infrastructure for economic development; 2) to earn return on investment and, thus, generate resources for development, 3) to promote redistribution of income and wealth; 4) to create employment opportunities; 5) to promote balanced regional development; 6) to assist the development of small-scale and ancillary industries, and 7) to promote import substitutions, save and earn foreign exchange for the economy. However, the Government provides a "statement of objects and reasons" with every Bill it introduces in Parliament. For various nationalisation measures and for statutory corporations, the officially stated objectives are given therein.

3 A.N. Banerjee, (Quoted from A Besant C Raj); "Public Enterprise Investment Decision in India". Macmillan & Co., New Delhi, 1988. P. 110

The wide range of products and activities of public enterprises includes making of steel, mining of coal and minerals, extraction and refining of crude oil, manufacture of heavy machinery, machine tools, instruments, heavy machine building equipments, heavy electronical equipment for thermal and hydel stations, transport equipment, telecommunication equipment, ships, sub-marines, fertilizers, drugs and pharmaceuticals, petro-chemicals, cement, textile and a few consumer items such as bread, newsprint, paper, footwear and contraceptives, operation of air, sea, river and road transport, operation in national and international trade, consultancy, contract and construction services, inland and overseas telecommunication services, hotel and tourists services etc.

A broad view of the share of the public sector in the Indian economy has been given below :-

The investment in central public enterprises has grown appreciably over the years. From a figure of Rs. 29 crores as on 01-04-1951 in 5 enterprises, investment stood at Rs. 1,78,628 crores in 243 enterprises as on 31-03-1996 and at Rs. 1,73,292 crores in 245 enterprises as on 31-03-1995. Thus, investment has increased by Rs. 5,336 crores during 1995-96 representing an increase of 3.08 percent. The plan-wise growth of investment in public enterprises from 01-04-1951 is given in the following figure 2.1.
The public enterprises are expected to give adequate return on investments made on them. Profits as measure of performance evaluation of public sector enterprises can be viewed from different angles. The concept of gross margin which does not take into account the element of depreciation (usage cost of assets) is generally advocated by economists to measure the return on investments to national economy. The accountants, on the other hand, lay greater emphasis on the gross
profit concept which takes note of depreciation but overlooks the charge on account of interest. The tax collector looks at the profit from his own viewpoint as a source of revenue and, hence, is more concerned with the pre-tax profit. The investors are, however, more concerned with the post-tax profits that are available to compensate them against the capital provided by them.

In absolute terms, the gross profits of public enterprises have shown an increase of Rs. 5358.81 crores from Rs. 22629.70 crores in 1994-95 to Rs. 27988.51 crores in 1995-96, an increase of 23.68 percent. This is after taking into account the increase in input costs and specially, salaries and wages which have registered an increase of Rs. 4021.01 crores over the previous year. The profit before tax has registered an increase of Rs. 4296.57 crores in 1995-96 which works out to 43.98 percent. After taking into account the tax provision of Rs. 4186.66 crores, the net profit for the year amounts to Rs. 9878.07 crores against Rs. 7186.70 crores for the year 1994-95 showing an increase of Rs. 2691.37 crores or 37.45 percent.

The profitability of Public enterprises as a whole for the last ten years is given in Table 2.2. Only the operational enterprises have been taken into account for this purpose.

During the last ten years, there has been an impressive improvement in the quantum of gross margin which has progressively increased from Rs. 9897 crores in 1986-87 to Rs. 40526 crores in 1995-96, thus, showing an increase of 309.48 percent. After providing for depreciation, amortisation and deferred rev-
## Table: 2.2

### Profitability Profile of Public Enterprises

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<td>No of Operating Enterprises</td>
<td>214</td>
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<td>Capital Employed</td>
<td>51835</td>
<td>55617</td>
<td>67629</td>
<td>84760</td>
<td>102084</td>
<td>117991</td>
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<td>Gross Margin</td>
<td>9897</td>
<td>11082</td>
<td>13438</td>
<td>16412</td>
<td>18312</td>
<td>22223</td>
<td>25227</td>
<td>27707</td>
<td>33384</td>
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<td>4</td>
<td>Percentage of Gross Margin to Capital Employed</td>
<td>19.09</td>
<td>19.93</td>
<td>19.87</td>
<td>19.36</td>
<td>17.94</td>
<td>18.83</td>
<td>18.01</td>
<td>17.33</td>
<td>20.55</td>
<td>23.31</td>
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<td>Depreciation &amp; Deferred Revenue Expenditure</td>
<td>3376</td>
<td>4142</td>
<td>4866</td>
<td>5790</td>
<td>7210</td>
<td>8548</td>
<td>9270</td>
<td>9151</td>
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<td>Gross Profit</td>
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<td>6940</td>
<td>8572</td>
<td>10622</td>
<td>11102</td>
<td>13675</td>
<td>15957</td>
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<td>22630</td>
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<td>Pre-tax Profit / Loss</td>
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<td>Net Profit / Loss</td>
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<td>2030</td>
<td>2994</td>
<td>3789</td>
<td>2272</td>
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<td>4917</td>
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<td>5394</td>
<td>6079</td>
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<td>(b) Loss of Loss making Enterprises</td>
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<td>1745</td>
<td>1923</td>
<td>1962</td>
<td>3122</td>
<td>3723</td>
<td>4113</td>
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<tr>
<td></td>
<td>(No of Enterprises)</td>
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<td>103</td>
<td>106</td>
<td>98</td>
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<td>102</td>
<td>106</td>
<td>116</td>
<td>109</td>
<td>101</td>
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<td>(c) No of Enterprises making neither Profit nor Loss</td>
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<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>4</td>
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<tr>
<td>12</td>
<td>Percentage of Net Profit / Loss to Capital Employed</td>
<td>3.42</td>
<td>3.65</td>
<td>4.43</td>
<td>4.47</td>
<td>2.23</td>
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<td>2.84</td>
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<td>13</td>
<td>Dividend</td>
<td>297</td>
<td>320</td>
<td>353</td>
<td>323</td>
<td>413</td>
<td>687</td>
<td>792</td>
<td>1028</td>
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<tr>
<td>14</td>
<td>Retained Profit</td>
<td>1475</td>
<td>1710</td>
<td>2641</td>
<td>3466</td>
<td>1859</td>
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<td>2480</td>
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<td>5751</td>
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enue expenditure written off, the gross profit of the group as a whole also recorded impressive upward movement from Rs. 6521 crores in 1986-87 to Rs. 27989 crores in 1995-96, an increase of 329.21 percent. The gross profit when viewed as percentage of capital employed has also increased from 12.58 in 1986-87 to 16.10 in 1995-96. In terms of overall net profit after tax, from a net profit of Rs. 1772 crores in 1986-87, the public enterprises have recorded an overall net profit of Rs. 9878 crores in 1995-96. In terms of net return on investment i.e. the ratio of net profit to capital employed, there is an increase from 3.42 percent in 1986-87 to 5.68 percent in 1995-96. This marginal improvement in profitability needs to be viewed against the background of multidimensional objectives of public enterprises and the divergent constraints faced by them. In order to be fair and objective, it would be necessary to take into account the obligations of Public enterprises which transcend the concepts of production and profits. Given that, the performance of public enterprises either at micro or at macro level, has to be evaluated keeping in view the contributions made by them in discharging their socio economic obligations, development of backward regions, provision of public utility services, selling basic inputs or products at administered prices, etc. There is no denying the fact that all this has been possible despite several handicaps from which public enterprises suffer such as locational disadvantages in some cases, very high initial capital investments in some others, some cost of learning and development and presence of a large number of units taken over from the private sector etc.
2.2 MANAGEMENT OF WORKING CAPITAL IN PUBLIC ENTERPRISES

The productivity of any enterprise is determined by a synergic management of three major aspects i.e., the administrative, the technological and the financial. Of these, the management of financial affairs and working is the most crucial, elaborate and sensitive determinant of the overall output of the entire administrative and technological effort. And the most delicate and highly specialised side of a total financial dynamics of any industry is the management of its working capital.

Working capital management in public enterprises gains significance from the fact that many industrial failures have arisen from mismanagement of financial factors, but not due to the infrequently of the working capital. Most studies on working capital management, thus, have not wrongly begun with the cautioning observation of the corresponding link between adequate or inadequate working capital and sound or unsound productivity and profitability in an enterprise. As an authoritative opinion goes; financial experts have incited attention to the unsound policies adopted in the management of the finances of the public sector undertakings. Making it more specific almost as a premise, another seasoned opinion stipulates; many times in the event of the failure of a business concern, shortage of working capital is given out as its main cause. In the ultimate analysis,

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however, it may be found that it was mismanagement of resources of the firm that converted an otherwise successful business into an unsuccessful one⁶.

The history of public enterprises since independence is full with instances of lack of financial discipline, much of which, paradoxically, has resulted from excessive adherence to rules and procedures, and due to the lack of experience and training to handle the financial function effectively. In many cases, public enterprises do not have a basic framework in which efficient financial management is possible to ensure. A large number of public enterprises have no clear cut policy and procedure for the compilation and maintenance of accounts and no effective internal audit and systematic inventory control methods. In many cases, the credit collection is weak, and large capital is blocked in receivables and inventories. It is often been observed that there is lack of financial consciousness in public enterprises. The financial management in most of the public undertakings has been marked by adhoc decisions and a generally Governmental approach without the discipline of cash flow⁷. The most important weaknesses are poor materials management and inventory control, very high debt levels and the lack of liquidity, irrational debt-equity ratios, the absence of efficient internal audit and financial control systems, vague credit policy and the absence of innovativeness in raising new sources of finance. All these are partly responsible for blocking up of scarce fund and inadequate return on capital invested.

Evidences are available to cite that many public enterprises suffer from inadequate working capital. It is so because while the creation of capacity and funds for capital expenditure are emphasised, commensurate attention is not given to planning the adequate availability of working capital. Public enterprises with insufficient working capital, in turn, suffer from under-utilisation of their capacity since they lack the requisite funds to put the entire installed capacity to use. When the shortage of working capital is so severe as to keep the operation of the enterprise below the break-even point of utilisation, the enterprise incurs deficits or losses.

Generally, public sector investment decisions are guided by the overall national considerations of resource mobilisation and allocation. As such, the estimation of financial requirements in regard to their initial size and later expansion, how much of capital requirements should be obtained from public exchequer and how much to obtain by loan from banks and credit organisations are to be taken by the Central Planning Body. It is the Planning Body in consultation with the Government at the highest level that determines what are the industries which are required to be floated in a year, how much money can be obtained from the national budgetary fund and how the requirements of capital have to be phased over a period of time.

Public enterprises are expected to meet their working capital needs either from internal resources or from arrangements with commercial banks. The major part of the working capital is required to finance inventories, loans & ad-
vances, receivables and the need for liquid cash. The net working capital requirements is found after taking credit for advances from customers and the credit provided by suppliers of materials. It may be noted that since 1971, public enterprises were debarred from maintaining accounts with non-public sector banks. As a part of its liberalised economic policy, the Government since January, 1992 has allowed public enterprises to have normal banking transactions with any bank of their choice, including foreign banks.

The working capital requirements of the public enterprises are generally met through cash credits and advances arranged with the State Bank of India and other Nationalized Banks. In special cases non-plan loans are also advanced by the Central Government to some enterprises for meeting their working capital requirements. As on 31st March, 1996 a total amount of Rs. 2267.56 crores was outstanding from enterprises as working loan from the Central Government as against an amount of Rs. 2086.94 crores from 30 enterprises as on 31st March, 1995.

However, on account of ever increasing growth, diversification and importance of public enterprises, it has become an imperative for public enterprises to depend on ploughing back of profits. The Government cannot go on giving support to public enterprises to a limitless degree. After all, they have to stand on their own legs. It is widely accepted that the PEs should not only make a reasonable profit but should also be able to meet their requirements of working capital for capital expansion and also contribute surplus to the national budgetary resources. Public enterprises are also expected to ensure that their operations yield adequate sur-
pluses not only for replacement and renewal of their assets, but also to meet the needs of expansion and growth.

Furthermore, the working capital management practices are not identical in public and private enterprises because one is government owned and the other is privately managed. Government as a policy maker does not let the industries, controlled by her, be thrown out of main track. If any industry of the government does not have any resource generating capacity because of bad planning, even in that case government has to meet the working capital requirements. If we examine the role of working capital efficiency in the performance of the two sectors, the question usually appears, what is meant by performance and how it should be measured? The usual criterion for public sector performance evaluation is financial profit. However, it has been well established that profit is a poor measure of public enterprise performance. Because the general well being of public at large is the main consideration behind the creation of public enterprises. Therefore, its performance is measured from society's advantage point whereas private enterprise's performance is measured from the shareholder's point of view. Therefore, the role of working capital changes since the views of the two sectors change. Given this backdrop, it seems interesting to see how the components of working capital behave in the public and private enterprises.

It is true that the public sector seems to hold less cash fund in hand than the private sector due to the high credit worthiness of public enterprises and also it
does not need cash for many transactions which could normally require a cash deposit. There is a wide spread belief in most developing countries that the Government cannot go bankrupt, nor can they hold back payments for immediate private gains. Apart from this, by law also, public enterprises are discouraged from making cash transactions, they get a liberal credit line with the banks for working capital needs because they are able to get Government guarantees. This, in turn, reduces the need for holding cash. They can withdraw money from their credit line whenever they want. This process is further facilitated by another fact because the major banks in India are themselves public enterprises, their managers are less scrupulous in reviewing the credit worthiness of their sister public enterprises. If a public enterprise defaults in the repayment of the loan, they are not likely to be hauled up, whereas, if the loan were given to a private enterprise, the bank manager would almost be suspended.

Moreover, public enterprises have a marginally higher ratio of accounts receivable to the quantity of output. The manager of the public enterprise is likely to be more interested in making a sale than in aggressively pursuing payments of bills. Once a sale is made, he can put it down as such on the profit and loss statement and, thus appear to have improved his performance. Also in most cases, public enterprises sell their output to other public enterprises and collecting bills from them may not be so easy. The situation is quite reverse in case of private enterprises.

The handling process of demand deposits is not so significant in case of
public enterprises as it is in the case of private enterprises. The private sector has a higher ratio of demand deposits to output because cash and demand deposits are good substitutes for one another. The difference is so significant because private rationality suggests that whatever idle liquid funds one has, that should be made to work as hard as possible. So, if the private sector can get a return, albeit a small one, they will tend to keep as much of them as possible, given the constraints of transaction demand for cash.

So far as advances and prepayments are concerned, public sector seems to have a significantly higher figure because the public enterprise managers have no incentive for postponing payments. They are likely to be judged by the total output they produce rather than the interest generated in idle cash. Therefore, in their view, to keep the wheels of production moving smoothly, they may not intend to a liberal payment so long as they are assured of a steady supply of essential inputs. This risk averse attitude is the hallmark of many managers of public sector enterprises.

Public enterprises in general seem to prepay more taxes than their private counterparts, because these enterprises are generally managed by civil servants who have no stake in postponing these payments. Private enterprises on the other hand, may try their best first to reduce their tax liability and than to postpone paying what they owe. In many cases, they achieve this postponement by going all the way through the appeals process.
Again, there is a significant difference between the two sectors in the total stock of inventories per unit of output. The higher ratio of inventories to output for the public sector derives from the highly significant differences in the finished goods and raw materials inventories. This is because public sector managers are likely to emphasize production. If they can sell it, than so much the better but if they cannot, they can point out the increase in production to their superiors and blame the macro economic conditions for the slack demand. This partially explains the higher ratio of inventories to output. Apart from this, the higher ratio of raw materials inventories to output is probably a reflection of the risk averse attitude of public enterprise managers. They do not want to be run out of production because of shortage of raw materials. A rational approach should be to balance the cost of extra inventories against the expected benefits and decide on the optimum level. They probably have a higher expected benefit of holding extra inventories, because production is what they are primarily judged on. There is also probably a lower holding cost for them, as they can usually get loans at below the market rate of interest to carry such inventories. Together, the above two factors lead towards a greater propensity for holding input inventories. Also, another reason for higher raw material inventories in the public sector is that public enterprises do, in fact, have a higher rate of mechanical trouble compared to private enterprises. If the production grinds to a halt, the rate of raw material consumption declines and, in turn, there is an unanticipated increase in their stock.
2.3 WORKING CAPITAL- A CONCEPTUAL FRAMEWORK FOR THE STUDY.

The word working capital is one of the most ambiguous terms in the accounting terminology. There seems to be no unanimity in regards to its concept amongst the users. This lack of understanding and uniformity in the application of the term, is probably existant, because of the fact that the term does not appear in the proforma of the Balance Sheet. Due to this disagreement and confusion about the concept of the term, some experts have totally neglected its use saying "owing to the confusion of terms, the expression working capital had better to be omitted altogether.

The concept of working capital was, perhaps, first evolved by Karl Marx, though in somewhat different form. However, with the evolution of the concept came the controversy about the definition of working capital. Guthman and Dougall defined working capital as excess of current assets over current liabilities. This view was elaborated by Park and Gladson when they defined working capital as excess of current assets of a business over current items to employees and others. Gole, also held, more or less, the same view. According to him, whenever working

capital is mentioned it brings to mind current assets and current liabilities with a
genral understanding that working capital means the difference between the two. Bernstein contended that the basic concept of working capital is relatively simple. It is the excess of current assets over current liabilities. That excess is sometimes referred to as net working capital. In like fashion, Kennedy and Mc Mullen say that the excess of current assets over current liabilities is the net working capital. However, some experts are of the opinion that total current assets requirements should measure the total working needs of the concern. This view was supported by experts like Mead, Baker & Malott, Field, Bogen and Adam Smith etc. According to the second view, working capital is the amount of total current assets only.

The above two concepts of working capital, Gross and Net, are also known as quantitative and qualitative concepts respectively because the former is quantitative and the latter is qualitative in nature. The total of all current assets represent the quantum of working capital in a concern. The net concept of working capital being the difference between current assets and current liabilities is qualitative.

in character because it represents an index of financial soundness and future current operations. As suggested by Husband and Dockerray, the net concept of working capital may be referred to as the qualitative aspect and the total of current assets quantitative aspect.22

It, thus, appears that gross and net concept of working capital are two important facts of the working capital management. However, the two concepts of working capital-Gross and Net- are not exclusive rather they have equal significance from management viewpoint. Both the concepts have their own uses. If the objective is to measure the size and extent to which current assets are being used to optimize productivity of the concern, gross concept is useful, whereas, in evaluating the liquidity position of an undertaking, net concept becomes pertinent and preferable.

The second controversy relates to the currentness concept of assets and liabilities that enter into the domain of working capital management. For many years, the most popular definition of current assets has been cash, bank balances and other resources that are reasonably expected to be realised or consumed within one year from the date of the Balance Sheet and that of current liabilities has been those obligations of the enterprise reasonably expected to be liquidated within one year from the date of the Balance Sheet, either through the use of resources

classified as current assets or through the creation of other current liabilities\(^{25}\). These two definitions were under attack immediately after the publication of IASC monograph on it because in case of both current assets and current liabilities, there may be situation where maturity period of any of the items may be more than a year. Park and Gladson also held that one year temporal standard to determine the currentness was arbitrary and not universally valid\(^{26}\). They used the term 'natural business year', which concept was developed later into Operating Cycle Theory of Working Capital. Accounting Principles Board of the American Institute of Certified Public Accountants, while defining working capital, used this operating cycle concept. Numerous attempts have later been made to find more satisfactory definition of working capital, usually linked to the length of the operational cycle of the business, but none of these has come to be generally acceptable\(^{27}\).

So one would quite naturally be constrained to arrive at the conclusion about the working capital concept. There is no precise way to determine the exact amount of gross or net working capital for every business enterprise. The data and problem of each company should be analysed to determine the amount of working capital\(^{28}\). Which concept is preferable depends upon the purpose of study. Our object of the instant study is to ascertain whether the working capital were put to maximize use. For doing more justice to our objective, current liabilities, one of the main sources of finance, should not be kept aside. The term net working capital

\(^{25}\) Ibid, P. 12

\(^{26}\) Park C. and Gladson, J. W. *op. cit.* P. 8.


\(^{28}\) Pandey, I. M. *op. cit.* P. 327
will be used for the excess of current assets over current liabilities. Again, Gross Working Capital and Gross Current Assets are often referred to as synonymous or interchangeable terms. Although, some conceptual differences exist between gross working capital and gross current assets, however, for our study as both culled from a Balance Sheet and are arithmetically equal so these terms will be used alternatively according to the specific needs of the study.

Besides the above, relating to second controversy, current assets for our study comprise all assets which can be converted into cash within one accounting period. The one year rule have been taken on the assumption that the enterprises under study plan their working capital requirements for a year. The accounting period and the budget period are also usually of one year duration for these enterprises. Current assets for our study, therefore, includes stock of materials, work-in-progress and finished goods, debtors (net), short-term loans and advances and cash and bank balances. Prepaid expenses - expenses paid in advance in respect of debt which will arise in the next accounting year - means a reduction of cash and bank balance and, hence, should be included in the current assets group. On the other hand, current liabilities are those liabilities which are to be met within one accounting period. Included in this group are creditors, paybles, proposed dividends etc. Expenses accrued but not paid or outstanding expenses are generally payable within one accounting period. This item is, therefore, to be included in the current liabilities group. The amount of overdraft is also an instance of current liabilities in as much as the amount drawn is normally payable within the accounting period.
from normal business receipts. So this can be reasonably taken as an item of current liabilities.

The third issue which may be raised at this juncture is the treatment of specific reserves and provisions. In this connection, we can say that the obligation of the company to meet the situation caused by the contingency for which a provision or specific reserve is made is self evident. As such, the specific reserves or provisions indicating such obligation should be dealt with as if they are short-term creditors\(^\text{30}\). So these can also be reasonably taken as an item of current liabilities.

Above all, the appropriate type of treatment will, any way, be given to such items as per the objective for which working capital is determined and used. Other possible components of working capital will be decided by using similar logic and keeping in mind the most appropriate concept of working capital.

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