Appendix
APPENDIX – 1

QUESTIONNAIRE

Working Capital Management

I. GENERAL

1. Name of Company

2. Who looks after the management
   Financial Manager
   Chief Cashier Manager
   Credit Manager
   Sales Manager
   Any other (Please specify)

   (a) Working Capital
   (b) Cash
   (c) Marketable Securities
   (d) Receivables
   (e) Inventory

II. WORKING CAPITAL

1. How do you determine working capital? Please mark the appropriate place:

   (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)
2. How do you control working capital?
   (a) By budgetary control
   (b) Any other (Please specify)

3. Do you review the working capital at regular intervals? Yes/ No. If yes, please mark the appropriate place:
   (a) Monthly
   (b) Quarterly
   (c) Half-yearly
   (d) Any other (Please specify)

4. What techniques do you follow to review working capital position?
   (a) Funds Flow Statement
   (b) Any other (Please specify)

5. If on review working capital is found 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
   (e) Any other (Please specify)

6. What is the effect of inadequate working capital?
   (a) Low liquidity

   (ii)
(b) Low profitability
(c) High interest charges
(d) Lower prices of company's shares
(e) Any other (Please specify)

7. If on review working capital is found 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)

8. What basis do you adopt for allocation of working capital to its various segments such as cash, marketable securities, receivables and inventories?
   (a) By preparing different budgets
   (b) By determining ratios (Please indicate the name of ratios)
   (c) Any other (Please specify)

9. How do you finance working capital? Please indicate the percentage
   (a) From share capital
   (b) By ploughing back profits
      (iii)
(c) From long-term loans
(d) From short-term sources
(e) Any other (Please specify)

III. CASH

1. What are your objectives for keeping cash?
   (a) To meet obligations
   (b) To allow for contingencies
   (c) To take benefit from favourable markets
   (d) Any other (Please specify)

2. How do you determine the optimum level of cash balance i.e. the amount of cash you will hold?
   (a) By means of cash budget
   (b) A certain percentage of total capital (Please indicate the percentage)
   (c) A certain percentage of working capital (Please indicate the percentage)
   (d) A certain percentage of any component of working capital (Please indicate the percentage and write the name of component)
   (e) Any other (Please specify)
3. Do you prepare cash reports? Yes/No. If yes, please mark the appropriate place:

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

4. 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)

5. How do you meet your requirements of cash when the cash balance goes below the minimal desirable level?

(a) By utilizing 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) Any other (Please specify)
6. How do you invest excess cash, if any?
   (a) In purchasing marketable securities
   (b) In paying short/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) Centralized cash collection centres
   (b) Lock-box system
   (c) Concentration banking
   (d) Any other (Please specify)

IV. MARKETABLE SECURITIES

1. How do you determine the optimum level of investment in marketable securities?
   (a) A certain percentage of working capital (Please indicate the percentage)
   (b) 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

   (vi)
(c) Any other (Please specify)

3. What type of securities do you generally prefer to purchase?
   (a) Government securities
   (b) Pref. shares
   (c) Equity shares
   (d) Any other (Please specify)

V. RECEIVABLES

1. How do you determine the level of accounts receivables?
   (a) By making sales forecasts
   (b) By adjusting past figures
   (c) By trade off between cost of carrying receivables (bad debts plus opportunity cost of funds employed) and profits from sale
   (d) Any other (Please specify)

2. Do you prepare accounts receivable report? Yes/No. If yes, please mark the appropriate place
   (a) Monthly
   (b) Quarterly
   (c) Any other (Please specify)

3. What is your credit policy?
   (a) Period of credit
(b) Other terms such as cash discounts etc.

(c) Are your terms different from the terms extended by other companies in the same industry. If yes, please give details

(d) Any other (please specify)

4. How do you evaluate a particular credit application?

(a) By analysing balance sheet and other financial statements

(b) By bank checks

(c) Your past experience

(d) By making reference to other companies in the trade

(e) Any other (please specify)

5. What is your collection policy?

(a) Strict

(b) Soft

6. If you do not receive amount on due date, what steps do you take?

(a) Write reminders (Please give numbers)

(b) Contact on telephone, if possible (Please indicate the stage)

(c) Handover the case to your solicitors (Please indicate the stage)

(d) Seek the help of Collection agency, if any (Please indicate the stage and name of the agency)

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

(viii)
(f) Any other (Please specify)

7. Whether credit and collection policies are determined by the same individual or by different person (Please indicate their designations)

VI. INVENTORY

1. How do you determine the minimum level of inventory? It may be on the basis of:

(a) Consumption during lead period

(b) Consumption during lead period plus safety margin

(c) Changes in price:

(d) Any other (Please specify)

2. How do you determine the maximum level of inventory? It may be on the basis of:

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(a) Opportunity cost of funds employed

(b) Storage space available

(c) Carrying cost of inventory, such as insurance, interest and rent, etc.

(ix)
(d) Supply conditions of goods

(e) Price changes

(f) Future production plans

(g) Any other (Please specify)

3. How do you determine the safety stock? This may be on the basis of:

(a) Variation in lead period

(b) Variation in consumption rate

(c) Any other (Please specify)

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

5. After how long, do you review the minimum and maximum level of inventory? (Please indicate 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 Quantity System or E.O.Q. System

(b) Fixed Period Order System or Periodic Review System or Replenishment System

(c) Single Order and Scheduled Part-Deliveries System

(x)
(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 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 and C items?

(d) Do you have issue record of C items also? Yes/No

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

10. Who performs the function of inventory control?

(a) Stores Department

(b) Purchase Department

(c) Production and Planning Department

(d) Any other (Please specify)

11. Any other additional information, opinion and comments you want to give:

______________________________

______________________________

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______________________________

(xi)
APPENDIX – 2

QUESTIONS FOR PERSONAL INTERVIEW

1. What problems or difficulties do you generally face in the administration of working capital? What suggestions do you have in this regard?

2. Which component(s) of working capital do you consider to be more important requiring your greater attention?

3. Mention the difficulty(s) you face in procuring additional working capital?

4. Do you meet working capital needs on the division-basis or as a whole? Do you draw Divisional working capital-statements?

5. Would you like retained earnings to be utilized in the expansion of fixed assets or working capital?

6. Are you satisfied with your present banking arrangements?

7. Do you find any difference in the banking facilities extended by different banks?

8. What is the effect of continued inflation on working capital requirements?

9. Do you consider that high rate of corporation taxation has any bearing on the financing of working capital needs?
10. What is the effect of excess working capital?

11. Is the relationship between sales growth and the need to finance current assets close and direct?

12. Do you think it feasible to adopt inventory type models for determining optimum cash balances?

13. What is the effect of deficiency in working capital?