'Receivables' occupy the second place among the various components of Working Capital in any manufacturing concern as stated by John R. Brennan, general credit manager of the Glidden-Durkee Division of S.C.M. Corporation,1 "At one recent measuring point, our company's accounts receivables total represented 43 per cent of current assets and 25% of total assets. In our business, the only assets which account for a larger share of the total than receivables are property, plant and equipment and inventories. Therefore, it is readily apparent that effective management of the receivables investment is a required characteristic of a successful and growing enterprise".

The main purpose of maintaining receivables is to push up sales and also profit by giving credit to the customers who find it difficult to purchase on cash. This process involves so much of risk which is called credit risk. While giving credit to any customer, credit manager has to consider the five C's of credit : character, capacity, capital, collateral and conditions,2 otherwise,

the loss of bad debts will increase. The receivables improve the liquidity position of an enterprise as it is a near cash item, are the investment in receivables should be at the satisfactory level.

The receivables, in the strict accounting sense, arise out of delivery of goods or rendering of services on credit.⁴ According to this, receivables means only trade debtors. But in the present context, the term 'receivables' has been used in its broader sense, that is, to include trade debtors and loans and advances in its perview.

In this chapter, an attempt has been made to evaluate the management of receivables in Anantapur Cotton Mills. The evaluation of receivables management has been done by analysing the size and structure of receivables and the efficiency of the company in granting and collecting debts. The analysis of the efficiency of granting credit has been done by computing debtors-turnover ratio and also by relating sundry debtors with sales through regression equation. To judge the investment in loans and advances, major deposits and advances have been related with their monthly consumption.

SIZE OF RECEIVABLES:

The size of receivables mainly depends upon the credit policy of the company. If the credit policy is strict, the loss of bad debts will decrease and also size of receivables. As the credit policy becomes progressively looser, accounts receivables expand and also loss of bad debts. Therefore, it is the credit policy which determines the magnitude of a Firm's investment in accounts receivables and the return on that investment.\(^4\) Hence, the Firm has to follow optimal credit policy which equates the marginal cost of credit to the marginal profit on the increased sales.\(^5\) Marginal costs are the cost of investment, allowances and concessions to customers and also losses on account of bad debts. These are direct costs in maintenance of receivables. In addition to these direct costs, indirect costs are also associated such as administrative costs connected with the collection of receivables, the recording of bills and preparing statements, inflationary costs and delinquency cost in the form of delayed collection and cost of giving reminders, legal expenses, if necessary etc.


However, calculation of all these costs precisely is a very difficult task. Therefore, receivables are to be managed effectively and efficiently, so that the overall profitability can be increased.

SIZE OF RECEIVABLES IN ANANTAPUR COTTON MILLS:

Table 4.1 depicts the size and trend of receivables in Anantapur Cotton Mills during the study period. The size and trend of total receivables is on the increasing side. It was ₹ 42.53 lakhs in 1983-84; rose to ₹ 287.51 lakhs registering an increase of more than 575 per cent over base year. The tendency of components of receivables i.e., sundry debtors and loans and advances has been showing an increasing trend in Anantapur Cotton Mills during the study period. It is evident from this table that the rise in sundry debtors is faster than in loans and advances. The amount of sundry debtors was ₹ 24.09 lakhs in 1983-84; increased to ₹ 237.75 lakhs in 1992-93 registering an increase of more than 885 per cent of the base year.

Another most important element of receivables i.e., loans and advances, is showing an increasing trend during the same period with some fluctuations. It was ₹ 18.44 lakhs in 1983-84; it rose to ₹ 49.76 lakhs in
TABLE 4.1
SIZE AND TRENDS OF RECEIVABLES IN ANANTAPUR COTTON MILLS
DURING 1983-84 to 1992-93

(₹ in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sundry Debtors</th>
<th>Loans and Advances</th>
<th>Total Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09 (100.00)</td>
<td>18.44 (100.00)</td>
<td>42.53 (100.00)</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00 (62.27)</td>
<td>34.46 (186.88)</td>
<td>49.46 (116.29)</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92 (111.75)</td>
<td>19.78 (107.27)</td>
<td>46.70 (109.80)</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04 (207.72)</td>
<td>31.87 (172.83)</td>
<td>81.91 (192.59)</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14 (137.57)</td>
<td>28.07 (152.22)</td>
<td>61.21 (143.92)</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12 (108.43)</td>
<td>31.21 (169.25)</td>
<td>57.33 (134.60)</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53 (371.65)</td>
<td>37.71 (204.50)</td>
<td>127.24 (299.18)</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40 (537.15)</td>
<td>39.63 (214.91)</td>
<td>169.03 (397.44)</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64 (650.23)</td>
<td>54.18 (293.82)</td>
<td>210.82 (495.70)</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75 (986.92)</td>
<td>49.76 (269.85)</td>
<td>287.51 (676.02)</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate base year (1983-84=100) growth.

1992-93 registering an increase of more than 169 per cent of base year. It can also be seen from the table that the percentage-increase in loans and advances and total receivables is less than the percentage-increase in sundry debtors. This increasing trend of sundry debtors is not at all a desirable, especially in a company like Anantapur Cotton Mills which has been incurring heavy losses, as the increase in sundry debtors increases the cost of credit management and contribute to further losses.

In order to know the relative size of receivables, the ratio of receivables to total net assets has been used. This ratio in Anantapur Cotton Mills during the study period has been presented in Table 4.2. This table reveals that the proportion of sundry debtors in total net assets has increased from 11.55 per cent in 1983-84 to 28.33 per cent in 1992-93. The proportion of sundry debtors has been on the increase particularly from 1989-90. The proportion of loans and advances in total net assets has been decreasing during the study period. The proportion of total receivables shows an increasing trend with some fluctuations. It was 20.39 per cent in 1983-84, increased to 34.26 per cent in 1992-93.
TABLE 4.2
PROPORTION OF RECEIVABLES TO TOTAL ASSETS
IN ANANTAPUR COTTON MILLS DURING 1983-84 to 1992-93

(₹ in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sundry Debtors (₹)</th>
<th>Loans &amp; Advances (₹)</th>
<th>Total Receivables (₹)</th>
<th>Total Assets (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09 (11.55)</td>
<td>18.44 (8.84)</td>
<td>42.53 (20.39)</td>
<td>208.63</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00 (4.24)</td>
<td>34.46 (9.74)</td>
<td>49.46 (13.98)</td>
<td>353.72</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92 (5.12)</td>
<td>19.78 (3.76)</td>
<td>46.70 (8.88)</td>
<td>525.98</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04 (9.47)</td>
<td>31.87 (6.03)</td>
<td>81.91 (15.51)</td>
<td>528.24</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14 (5.65)</td>
<td>28.07 (4.78)</td>
<td>61.21 (10.43)</td>
<td>586.63</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12 (4.53)</td>
<td>31.21 (5.53)</td>
<td>57.33 (10.15)</td>
<td>564.70</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53 (15.62)</td>
<td>37.71 (6.58)</td>
<td>127.24 (22.19)</td>
<td>573.35</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40 (17.07)</td>
<td>39.63 (5.23)</td>
<td>169.03 (22.30)</td>
<td>757.95</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64 (22.08)</td>
<td>54.18 (7.64)</td>
<td>210.82 (29.72)</td>
<td>709.37</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75 (28.33)</td>
<td>49.76 (5.93)</td>
<td>287.51 (34.26)</td>
<td>839.15</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate percentage to total assets.
The proportion of receivables can also be studied with the help of receivables to current assets ratio. This ratio in Anantapur Cotton Mills during the study period has been shown in Table 4.3. It is evident from this table that the proportion of debtors to current assets has increased during the study period from 24.35 per cent in 1983-84 to 36.41 per cent in 1992-93. The proportion of loans and advances to current assets has been decreased from 18.63 per cent to 7.62 per cent. The ratio of receivables to current assets has been showing nominal increase during the study period. This increase is only 1 per cent (42.98 per cent in 1983-84 rose to 44.03 per cent in 1992-93) during the study period.

It is observed from the above analysis that the size of receivables in Anantapur Cotton Mills had been very high because of lack of an efficient management in this regard.

COMPOSITION OF RECEIVABLES:

The study of the composition of receivables is an important tool in evaluating the management of debtors. This analysis helps to know where the receivables are concentrated most. This in turn helps to bring about
TABLE 4.3
PROPORTION OF RECEIVABLES TO CURRENT ASSETS IN
ANANTAPUR COTTON MILLS DURING 1983-84 to 1992-93

<table>
<thead>
<tr>
<th>Year</th>
<th>Sundry Debtors (Rs. in lakhs)</th>
<th>Loans &amp; Advances (Rs. in lakhs)</th>
<th>Total Receivables (Rs. in lakhs)</th>
<th>Current Assets (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09 (24.35)</td>
<td>18.44 (18.63)</td>
<td>42.53 (42.98)</td>
<td>98.94</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00 (11.29)</td>
<td>34.46 (25.98)</td>
<td>49.46 (37.27)</td>
<td>132.76</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92 (20.55)</td>
<td>19.78 (15.00)</td>
<td>46.70 (35.55)</td>
<td>130.99</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04 (31.41)</td>
<td>31.87 (20.02)</td>
<td>81.91 (51.43)</td>
<td>159.30</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14 (12.99)</td>
<td>28.07 (11.00)</td>
<td>61.21 (23.99)</td>
<td>255.20</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12 (9.90)</td>
<td>31.21 (11.82)</td>
<td>57.33 (21.72)</td>
<td>263.91</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53 (29.63)</td>
<td>37.71 (12.48)</td>
<td>127.24 (42.12)</td>
<td>302.07</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40 (24.69)</td>
<td>39.62 (7.56)</td>
<td>169.03 (32.25)</td>
<td>524.10</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64 (32.51)</td>
<td>54.18 (11.24)</td>
<td>210.82 (43.75)</td>
<td>481.87</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75 (36.41)</td>
<td>49.76 (7.62)</td>
<td>287.51 (44.03)</td>
<td>652.97</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate percentage to current assets.

appropriate changes in credit policy, credit terms and collection procedures.

The receivables in Anantapur Cotton Mills comprises the total of sundry debtors and loans and advances. The composition of receivables in Anantapur Cotton Mills during the study period has been shown in Table 4.4. This table reveals that the proportion of sundry debtors in total receivables has increased to 82.69 per cent in 1992-93 from 56.64 per cent in 1983-84. The proportion of loans and advances in total receivables has decreased from 43.36 per cent in 1983-84 to 17.31 per cent in 1992-93. It is a fact that, in some of the years i.e., 1984-85 and 1988-89, the proportion of loans and advances is more than debtors; upto 1988-89 the proportion of loans and advances is nearly equal to debtors. Therefore, a detailed study of sundry debtors and loans and advances is required.

DEBTS OUTSTANDING OVER SIX MONTHS:

Table 4.5 shows the size and percentage of debts outstanding over six months during the study period in Anantapur Cotton Mills. As seen from this table that the amount of outstanding debts was Rs. 0.85 lakhs in 1983-84 which increased to Rs. 1.73 lakhs in 1992-93.
TABLE 4.4

STRUCTURE OF RECEIVABLES IN ANANTAPUR COTTON MILLS
DURING 1983-84 to 1992-93

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sundry Debtors</th>
<th>Loans &amp; Advances</th>
<th>Total Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09 (56.64)</td>
<td>18.44 (43.36)</td>
<td>42.53 (100.0)</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00 (30.33)</td>
<td>34.46 (69.67)</td>
<td>49.46 (100.0)</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92 (57.64)</td>
<td>19.78 (42.36)</td>
<td>46.70 (100.0)</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04 (61.09)</td>
<td>31.87 (38.91)</td>
<td>81.91 (100.0)</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14 (54.14)</td>
<td>28.07 (45.86)</td>
<td>61.21 (100.0)</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12 (45.56)</td>
<td>31.21 (54.44)</td>
<td>57.33 (100.0)</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53 (70.36)</td>
<td>37.71 (29.64)</td>
<td>127.24 (100.0)</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40 (76.55)</td>
<td>39.63 (23.45)</td>
<td>169.03 (100.0)</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64 (74.30)</td>
<td>54.18 (25.70)</td>
<td>210.82 (100.0)</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75 (82.69)</td>
<td>49.76 (17.31)</td>
<td>287.51 (100.0)</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate percentage of total receivables.

AVERAGE STRUCTURE OF RECEIVABLES

Loans & Advances 39.07%

Sundry Debtors 60.93%
<table>
<thead>
<tr>
<th>Year</th>
<th>Debts outstanding over six months</th>
<th>Sundry Debtors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>0.85</td>
<td>24.09</td>
<td>3.53</td>
</tr>
<tr>
<td>1984-85</td>
<td>0.03</td>
<td>15.00</td>
<td>0.20</td>
</tr>
<tr>
<td>1985-86</td>
<td>4.21</td>
<td>26.92</td>
<td>15.64</td>
</tr>
<tr>
<td>1986-87</td>
<td>0.14</td>
<td>50.04</td>
<td>0.28</td>
</tr>
<tr>
<td>1987-88</td>
<td>0.14</td>
<td>33.14</td>
<td>0.42</td>
</tr>
<tr>
<td>1988-89</td>
<td>0.69</td>
<td>26.12</td>
<td>2.64</td>
</tr>
<tr>
<td>1989-90</td>
<td>0.94</td>
<td>89.53</td>
<td>1.05</td>
</tr>
<tr>
<td>1990-91</td>
<td>0.02</td>
<td>129.40</td>
<td>0.02</td>
</tr>
<tr>
<td>1991-92</td>
<td>0.02</td>
<td>156.64</td>
<td>0.01</td>
</tr>
<tr>
<td>1992-93</td>
<td>1.73</td>
<td>237.75</td>
<td>0.73</td>
</tr>
</tbody>
</table>

The percentage of outstanding debts to total sundry debtors has, however, decreased from 3.53 per cent to 0.73 per cent recording a significant improvement in this regard.

EFFICIENCY IN DEBT COLLECTION:

The efficiency in debt collection can be studied with the help of debtors-turnover ratio and average collection period over a period of time. The increase in debtors turnover ratio, over a period of time, indicates efficiency in debtors collection and decrease indicates slow collection of debtors. The reverse holds good in case of average collection period, which means decrease in average collection period indicates quick collections and increase indicates slow collections from debtors. The Debtors-Turnover Ratio and Average Collection Period in Anantapur Cotton Mills have been presented in Table 4.6. Debtors turnover ratio has decreased from 9.82 times in 1983-84 to 4.69 times in 1992-93, which shows slow rate of turnover of debtors. As a result, the average collection period has been showing the increasing trend. It has increased from 37 days in 1983-84 to 78 days in 1992-93. The actual credit period allowed in Anantapur Cotton Mills
TABLE 4.6
DEBTORS TURNOVER RATIO IN ANANTAPUR COTTON MILLS
DURING 1983-84 to 1992-93

(₹. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sundry Debtors</th>
<th>Sales</th>
<th>Turnover (No. of times)</th>
<th>Average collection period (in No. of days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09</td>
<td>236.68</td>
<td>9.82</td>
<td>37</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00</td>
<td>188.95</td>
<td>12.60</td>
<td>29</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92</td>
<td>224.65</td>
<td>8.35</td>
<td>44</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04</td>
<td>342.12</td>
<td>6.84</td>
<td>53</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14</td>
<td>493.57</td>
<td>14.89</td>
<td>25</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12</td>
<td>648.05</td>
<td>24.81</td>
<td>15</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53</td>
<td>758.65</td>
<td>8.47</td>
<td>43</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40</td>
<td>898.69</td>
<td>6.95</td>
<td>53</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64</td>
<td>919.80</td>
<td>5.87</td>
<td>62</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75</td>
<td>1114.73</td>
<td>4.69</td>
<td>78</td>
</tr>
</tbody>
</table>

is 30 days. Compared to this, the average collection period in Anantapur Cotton Mills is unsatisfactory.

GROWTH IN SALES AND DEBTORS:

The efficiency of investment in debtors can also be studied by comparing the growth in debtors with growth in sales over a period. If the increase in growth rate of debtors is less than the increase in growth rate of sales, it indicates effective investment in debtors. If the increase in growth rate of debtors is more than the increase in growth rate of sales, it indicates additional investment in debtors is useless. Table 4.7 presents the growth rate of sales and debtors in Anantapur Cotton Mills during the study period. It is observed from the table that, except in 1984-85, 1987-88 and 1988-89, in all the other years, the growth rate of debtors is more than the growth rate of sales. It can, therefore, be concluded that the additional investment in debtors has gone waste.

For the purpose of the study of the relationship between sales and debtors, an attempt has been made through Regression Analysis and Average percentage of Sales method, so as to measure the extent of excessive/inadequate investment in debtors.
TABLE 4.7
GROWTH IN SALES AND SUNDRY DEBTORS IN ANANTAPUR COTTON MILLS DURING 1983-84 to 1992-93

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Rs.in lakhs)</th>
<th>Sundry Debtors (Rs.in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>236.68</td>
<td>-19.09</td>
</tr>
<tr>
<td>1984-85</td>
<td>188.95</td>
<td>-20.17</td>
</tr>
<tr>
<td>1985-86</td>
<td>224.65</td>
<td>18.89</td>
</tr>
<tr>
<td>1986-87</td>
<td>342.12</td>
<td>52.29</td>
</tr>
<tr>
<td>1987-88</td>
<td>493.57</td>
<td>44.26</td>
</tr>
<tr>
<td>1988-89</td>
<td>648.05</td>
<td>31.30</td>
</tr>
<tr>
<td>1989-90</td>
<td>758.65</td>
<td>17.07</td>
</tr>
<tr>
<td>1990-91</td>
<td>898.69</td>
<td>18.46</td>
</tr>
<tr>
<td>1991-92</td>
<td>919.80</td>
<td>2.36</td>
</tr>
<tr>
<td>1992-93</td>
<td>1114.73</td>
<td>21.19</td>
</tr>
</tbody>
</table>

REGRESSION ANALYSIS:

Regression Equation has been used to estimate the size of optimum investment in debtors by assuming sales as independent variable and debtors as dependent variable. The estimated debtors are then compared with actual debtors to determine favourable or unfavourable deviations. If the actual investment in debtors is less than estimated investment, it is considered as a favourable deviation and therefore, the investment in debtors is optimum. On the other hand, if the actual investment in debtors is more than estimated investment, it is considered as an unfavourable deviation indicating overinvestment in debtors. Table 4.8 depicts the estimated debtors, actual debtors, and deviations in Anantapur Cotton Mills during the study period. It reveals that, from 1983-84 to 1986-87, there were unfavourable deviations, i.e., actual debtors were more than estimated debtors and then showed favourable deviations i.e., actual debtors were less than the estimated debtors, upto 1990-91. In recent years, i.e., 1991-92 and 1992-93, unfavourable situation has been recorded which indicates overinvestment in debtors.
<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Debtors</th>
<th>Estimated Debtors</th>
<th>Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09</td>
<td>9.69</td>
<td>-14.40</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00</td>
<td>0.14</td>
<td>-14.86</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92</td>
<td>7.28</td>
<td>-19.64</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04</td>
<td>30.77</td>
<td>-19.27</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14</td>
<td>61.06</td>
<td>27.92</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12</td>
<td>91.96</td>
<td>65.84</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53</td>
<td>114.08</td>
<td>24.55</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40</td>
<td>142.09</td>
<td>12.69</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64</td>
<td>146.31</td>
<td>-10.33</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75</td>
<td>185.30</td>
<td>-52.45</td>
</tr>
</tbody>
</table>

AVERAGE PERCENTAGE OF SALES:

Under this method, average percentage of debtors to sales has been calculated. By taking that average percentage as base, each year debtors are estimated, and deviations are drawn. Table 4.9 presents these deviations in Anantapur Cotton Mills during the study period. Upto 1989-90, except in 1986-87, favourable deviations were noticed and then the remaining three years i.e., 1990-91, 1991-92 and 1992-93, unfavourable situation noticed. Highest unfavourable situation was noticed in recent year i.e., 1992-93 with ₹ 103.98 lakhs indicating overinvestment in debtors.

Both methods used to measure the extent of excessive/inadequate investment reveal that there is excessive investment in debtors in Anantapur Cotton Mills.

DEPOSITS AND ADVANCES POSITION:

Deposits and Advances are the amount given in advance for the services in future. These are demanded by suppliers of raw materials, stores and spares, Government agencies, such as A.P.S.E.B. and Excise Departments etc., as security. But these deposits and advances will adversely affect the funds position.
TABLE 4.9

ESTIMATED DEBTORS AS AN AVERAGE PERCENTAGE OF SALES AND DEVIATIONS IN ANANTAPUR COTTON MILLS DURING 1983-84 to 1992-93

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Debtors</th>
<th>Estimated Debtors</th>
<th>Deviations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>24.09</td>
<td>28.40</td>
<td>4.31</td>
</tr>
<tr>
<td>1984-85</td>
<td>15.00</td>
<td>22.67</td>
<td>7.67</td>
</tr>
<tr>
<td>1985-86</td>
<td>26.92</td>
<td>26.96</td>
<td>0.04</td>
</tr>
<tr>
<td>1986-87</td>
<td>50.04</td>
<td>41.05</td>
<td>-8.99</td>
</tr>
<tr>
<td>1987-88</td>
<td>33.14</td>
<td>59.23</td>
<td>26.09</td>
</tr>
<tr>
<td>1988-89</td>
<td>26.12</td>
<td>77.77</td>
<td>51.65</td>
</tr>
<tr>
<td>1989-90</td>
<td>89.53</td>
<td>91.04</td>
<td>1.51</td>
</tr>
<tr>
<td>1990-91</td>
<td>129.40</td>
<td>107.84</td>
<td>-21.56</td>
</tr>
<tr>
<td>1991-92</td>
<td>156.64</td>
<td>110.38</td>
<td>-46.26</td>
</tr>
<tr>
<td>1992-93</td>
<td>237.75</td>
<td>133.77</td>
<td>-103.98</td>
</tr>
</tbody>
</table>

Note: Estimated as 12% of sales on an average.
of the Firm, especially the sick companies. Because of their weak financial position and low capacity in the generation of funds, the deposits and advances will be a heavy burden on sick companies. Therefore these deposits and advances should be kept under control.

Table 4.10 presents various deposits and advances in Anantapur Cotton Mills during 1988-89 to 1992-93. This table reveals that the major deposits, in Anantapur Cotton Mills constitutes deposits with Andhra Pradesh State Electricity Board (A.P.S.E.B.). This amount has been increasing from Rs. 23.15 lakhs in 1988-89 to Rs. 31.77 lakhs in 1992-93. This has affected the funds position of Anantapur Cotton Mills. Another major component of loans and advances is the advances to the suppliers of raw material. This amount was the highest in 1991-92 with Rs. 18.66 lakhs and the lowest in 1988-89 with Rs. 1.66 lakhs. Other major component of loans and advances is the advances to stores suppliers which increased from 1.53 lakhs in 1988-89 to Rs. 2.65 lakhs in 1992-93.

The size of deposits and advances can also be judged by calculating the deposits and advances in terms of number of months' value of consumption. Deposits
**TABLE 4.10**

**COMPOSITION OF MAJOR ITEMS OF LOANS AND ADVANCES IN ANANTAPUR COTTON MILLS**

**DURING 1988-89 to 1992-93**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Percentage</th>
<th>Amount</th>
<th>Percentage</th>
<th>Amount</th>
<th>Percentage</th>
<th>Amount</th>
<th>Percentage</th>
<th>Total Loans and Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>23.15</td>
<td>74.17</td>
<td>1.66</td>
<td>5.32</td>
<td>1.53</td>
<td>4.90</td>
<td>31.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989-90</td>
<td>23.14</td>
<td>61.36</td>
<td>7.02</td>
<td>18.62</td>
<td>1.03</td>
<td>2.73</td>
<td>37.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990-91</td>
<td>23.77</td>
<td>59.98</td>
<td>2.05</td>
<td>5.17</td>
<td>2.09</td>
<td>5.27</td>
<td>39.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991-92</td>
<td>25.53</td>
<td>47.12</td>
<td>18.66</td>
<td>34.44</td>
<td>2.83</td>
<td>5.22</td>
<td>54.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992-93</td>
<td>31.77</td>
<td>63.85</td>
<td>9.86</td>
<td>19.82</td>
<td>2.65</td>
<td>5.33</td>
<td>49.76</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Annual Reports of Anantapur Cotton Mills.*
### TABLE 4.11
ADVANCES AND DEPOSITS IN TERMS OF NUMBER OF MONTHS' VALUE OF CONSUMPTION IN ANANTAPUR COTTON MILLS DURING 1988-89 to 1992-93

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits Power with APSEB consumption (Rs. in lakhs)</th>
<th>Deposit in terms of No. of months' value of consumption (Rs. in lakhs)</th>
<th>Advance to raw material suppliers per month (Rs. in lakhs)</th>
<th>Advance in terms of No. of months' value of stores &amp; spares per month (Rs. in lakhs)</th>
<th>Advance in terms of No. of months' value of consumption per month (Rs. in lakhs)</th>
<th>Source: Computed from Annual Reports of Anantapur Cotton Mills.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>23.15</td>
<td>6.37</td>
<td>3.63</td>
<td>1.66</td>
<td>33.96</td>
<td>0.05</td>
</tr>
<tr>
<td>1989-90</td>
<td>23.14</td>
<td>6.19</td>
<td>3.74</td>
<td>7.02</td>
<td>35.38</td>
<td>0.20</td>
</tr>
<tr>
<td>1990-91</td>
<td>23.77</td>
<td>7.81</td>
<td>3.04</td>
<td>2.05</td>
<td>41.39</td>
<td>0.05</td>
</tr>
<tr>
<td>1991-92</td>
<td>25.53</td>
<td>8.80</td>
<td>2.90</td>
<td>18.66</td>
<td>54.09</td>
<td>0.34</td>
</tr>
<tr>
<td>1992-93</td>
<td>31.77</td>
<td>10.40</td>
<td>3.05</td>
<td>9.86</td>
<td>61.88</td>
<td>0.16</td>
</tr>
</tbody>
</table>
and advances, in terms of number of months' value of consumption in Anantapur Cotton Mills, have been presented in Table 4.11. This table reveals that deposits with A.P.S.E.B. is equal to nearly 3 months' consumption of power. The other two elements i.e., advances to raw material suppliers and advances to stores and spares suppliers, are less than one month's consumption. Therefore, it is concluded that the deposits with A.P.S.E.B. in Anantapur Cotton Mills is very high.

CONCLUSIONS:

The second major component of Working Capital is receivables which constitute sundry debtors and loans and advances in Anantapur Cotton Mills. This study reveals that the increase in debtors is not in consonance with sales, which means the additional increase in sundry debtors has not made effective additional sales. Further, the firm has failed in collecting debts at the right time. This is revealed by the decreasing debtors-turnover ratio. This has affected the profitability position of the firm. In addition to high sundry debtors, heavy deposits with A.P.S.E.B. has also adversely affected the funds position of the Firm.