

## CASH MANAGEMENT-ULTRATECH

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### ABSTRACT

Cash management means the management of liquidity in order to meet their day-to-day commitment. The result of poor focus on cash management often means that the financial assets are bound. The management of liquidity is not something new but cash management is a modern way of doing that. Cash management is a very broad subject which involves many factors, this paper will focus on examine how the liquidity is managed in Ultratech Cements, in order to improve the liquidity through cash management thinking. Ultratech Cements is a local cement company firm located in Tadipatri. This paper will examine the firm's liquidity with focus on payment/payout routines, liquidity management, short-term financing and the connection between accounts receivables and payables.

### I. INTRODUCTION

Cash is the important current asset for the operations of the business. Cash is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, neither more nor less. Cash shortage will disrupt the firm's manufacturing operations while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Thus, a major function of the financial manager is to maintain a sound cash position.

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.

In banking, cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and clearing house facilities. Sometimes, private banking customers are given cash management services.

Financial instruments involved in cash management include money market funds, treasury bills, and certificates of deposit.

Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank times deposits, are also included in cash. The basic characteristic of near-cash assets is that they can readily be converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profit to the firm.

Cash management is one of the key areas of working capital management; apart from the fact which is the most liquid current asset, cash is the common denominator to which all current assets can be reduced because the other major liquid assets, that is, receivables and inventory get eventually converted into cash.

The term 'cash' with reference to cash management is used in two senses. In a narrow sense, it is used broadly to cover currency and generally accepted equivalents of cash, such as cheques, drafts and demand deposits in banks

### OBJECTIVES OF THE STUDY

The study is being undertaken with the following objectives.

- ✓ To study the maintenance of Cash Flow of company to meet its day to day requirements.
- ✓ To know cash inflow and outflow of the company.
- ✓ To find out the liquidity position of the concern through ratio analysis.
- ✓ To study the growth of company in terms of cash flow statement.
- ✓ To make suggestion and recommendation to improve the cash position of company.

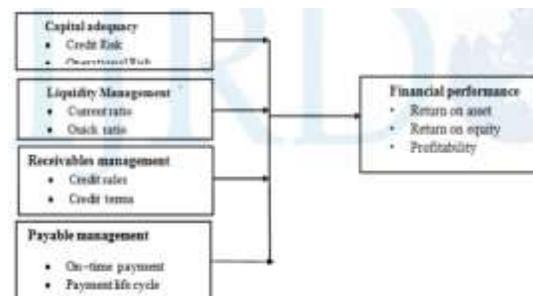
Cash Management must aim to reduce the required level of cash but minimize the risk of being unable to discharge claims against the company as they arise. Since cash itself is not an asset capable of causing the profit differential for the firm. It is desirable that cash balance be minimized as much as possible, the maintenance of adequate cash balances in an obvious requirement as a firms solvency is to be maintained. Cash management consists basically of having a

sufficient quantity of cash yet maintaining a balance at lowest figure adequate to meet current obligations." Moreover, another important function which Cash Management now-a-days seeks to undertake is to maximize its profits by investing the surplus cash in some marketable securities. The function of Cash Management, starts when a customer writes a cheque to pay the firm on its accounts receivables, and it ends when a supplier, an employee or the government releases collected funds from the firm on an account payable or accrual. Functions of Cash Management in brief are:-

1. collection and up keeping of cash and securities
2. control of payment i.e. providing requisite cash at the proper time and place to meet financial obligations.
3. Maintenance of adequate supply of cash to meet projected cash requirements, cash budget and day to day demands.
4. Maintenance of sound banking relations.

### CONCEPTUAL FRAMEWORK

It is a diagrammatical representation that shows the relationship between dependent variable and independent variables. A conceptual framework shows the relationship between independent and dependent variables.



## II. CONTROL OF CASH FLOWS

One of the major objectives of cash management, from the stand point of increasing return on investment, is to economize on the cash holding without impairing the overall liquidity requirement of the concern.

This is possible by effecting higher control over cash flow.

The following ratio has been calculated to analysis the control of cash flows:

- Cash to current assets ratio
- Cash to sales ratio
- Cash position ratio

## III. LITERATURE SURVEY

Erkki (2004) defined cash management as a part of treasury management , which is defined as a part of the main responsibilities of the central finance management team(as cited in Tiegen, 2001) . Huseyin (2011) asserts, the specific task of a typical treasury function include cash management, risk management, hedging and insurance management, account receivable management, account payable management, bank relations and investor relations (as cited in Kytönen, 2004). (Huseyin, 2011) thinks that this definition is consistent with the (as cited in Srinivasan & Kim, 1986) classification of cash management areas as cash balance management, cash gathering, cash mobilization and concentration, cash disbursement, and banking system design. Cash balance management includes management of cash position, shortterm borrowing, short term investing, cash forecasting. (Huseyin, 2011) opinion is that the classifications of Tiegen’s cash management and Srinivasan and Kim’s cash balance management are

closely related concepts. (Huseyin, 2011) classifies cash management as operating transactions and financial transactions. The operating transactions include accounting ledgers, invoicing , terms of sales - cash collection, cash control and processing, cash forecasting. The financial transactions include optimization of cash, short-term investments, short term borrowing, interest rate risk management, exchange rate risk management , payment systems, and banking investor relations (as cited in Kytönen, 2004). As Jared (2013) asserts, the cooperative form is therefore regarded as having enormous potential for delivering pro-poor growth that is owned and controlled by poor people themselves. Nevertheless, it is recognized that, lacking in capital and business management capacity, cooperatives have had a rather disappointing history in developing countries (as cited in Birchall, 2004).

According to (Mwaura, 2010) — banks are expected to turn to the members for money needed to reach the threshold. Contributing money for the capital build-up will force members to take a portion of their monthly take-home or forego annual dividends in the next four years in support of the initiative. As Darek (2012) asserts, the problem of access to capital becomes even more challenging in emerging markets for a variety of reasons (as cited in Benedict and Venter, 2010; Cunningham and Rowley, 2

Klonowski, 2005; Abor and Biekpe, 2006; Tagoeet al., 2005). First, firms in emerging markets operate in an environment of imperfect legal infrastructure (as cited in Cunningham and Rowley, 2010; Klonowski, 2005). Capital providers must often agree to contractual terms that are suboptimal for them. Second, financial disclosure in emerging markets

continues to be relatively poor (as cited in Sami and Zhou, 2008; Zhou, 2007; Klonowski, 2007).

#### IV. RESEARCH METHODOLOGY:

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

#### SOURCES OF DATA:

##### ➤ PRIMARY DATA:

The primary data nothing but that is directly collected from the department by the researcher.

##### ➤ SECONDARY DATA:

The data that is used for the research purpose is secondary data. The source of data is taken from the company's annual reports.

#### V. CONCLUSION

The Cash Management Analysis done on the financial position of the company has provided a clear view on the activities of the company. The use of the ratio analysis, trend analysis, Cash Flow Statement and other accounting and financial management helped in this study to find out the financial soundness of the company.

This project was very useful for the judgment of the financial status of the company from the management point of view. This evaluation proved a great deal to the management to make a decision on the regulation of the funds to increase the sales and bring profit to the company.

Before I conclude I wish to convey my thankfulness in regard to the training given to me in **company**. It gave me extreme satisfaction and practical knowledge of the financial activities carried out in the company. The kindness, attention, and immense co-operation extended to me by all the officials in the company made my project easy and comfortable. Really it was a very pleasant experience in company.

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