

Cash Management in IT Companies – (With Special Reference to TCS)

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Abstract: Cash Management means the management of liquidity in order to meet their day to day requirement. 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. This paper will examine the firm's liquidity with a focus on liquidity management, connection between cash and bank balances and total assets, payment and payout routines. The purpose of this study is to examine TCS liquidity today in order to later recognise which factors within cash management can strengthen the liquidity position of TCS over the past 5 year period from 2010 to 2014. The data has been analyzed by using conceptual tools to find out the association between the variables. The study is extended with the usage of few ratios like current ratio, Acid test ratio and cash position ratio.

Key Words: Assets, Liabilities, Liquidity, Current Ratio, Acid test ratio.

1. Introduction

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. 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 automated 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 management is the corporate process of collecting, managing and (short-term) investing cash. A key component of ensuring a company's financial stability and solvency. Frequently corporate treasurers or a business manager is responsible for overall cash management. Successful cash management involves not only avoiding insolvency (and therefore bankruptcy), but also reducing days in account receivables (AR), increasing collection rates, selecting appropriate short-term investment vehicles, and increasing days cash on hand all in order to improve a company's overall financial profitability.

Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. It encompasses a company's level of liquidity, its management of cash balance, and its short-term investment strategies. In some ways, managing cash flow is the most important job of business managers. If at any time a company fails to pay an obligation when it is due because of the lack of cash, the company is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such a dire consequence should compel companies to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed.

2. Objectives:

1. To identify the liquid assets at TCS.
2. To examine the cash balance in TCS.
3. To measure the level of liquidity at TCS.

3. Methodology:

To produce the above mentioned research objective, the data for this study was gathered from the financial statements as published by Business Companies which is a qualitative study. In addition, another source of data was through reference to the review of different articles, papers, and relevant previous studies. The firm details taken for the study represents the period of 2010-2014.

4. Results:

From table 1 it is identified that the Increasing rate of variation speak of adequate liquidity position and decreasing rate of variation registered for TCS indicate the firms to focus on liquidity position.

Table 2 finds the average cash and Bank balances of TCS. It is observed from the study that the Increasing rate of variation speak of sound liquidity and decreasing rate of variation registered for TCS and indicate the firms to focus on liquidity.

The study from table 3 shows the level of liquid assets over liquid liabilities. The absolute norm for current ratio is 1:1. Increasing rate of variation speaks of sound liquidity position for TCS and decreasing rate of variation indicate the firms to emphasize on liquidity practices. The absolute norm is maintained throughout the research period by the select firm.

5. Suggestions:

The researcher has experiencing the ability to provide suggestion and recommendation for further researcher to gain more worthy if any research will be conducted by them in this field. Some of the suggestions and recommendations are given below,

- In order to maintain operating liquidity TCS is suggested to increase the proportion of current assets.
- Cash Disbursements should be carefully monitored with the aim of negotiating a reduction in cash outflows so as to reduce payments.
- Only secondary data is used to do this research. Further researchers may use primary data by visiting the company.

6. Conclusion:

The study was undertaken to analyze the cash management of TCS; Based on this analysis proper conclusion has been given, regarding the cash / liquidity management. It can be concluded that overall cash management is satisfactory. The researcher has found that the companies suffers from certain weakness and has given some suggestions to overcome it. If the suggestions are implemented, the companies can increase its cash management and overall performance at the right time. The study concludes that, the key to successful cash management lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary parameters because cash flow can be a problem to the business organization.

7. Figure, Tables and References:

Table.1.1. Shows the Cash and Bank balance to Total current Assets

Particulars	TCS				
	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Cash and Bank Balances (A)	12,566.26	4,054.16	3,280.07	3,120.52	4718.59
Current Assets (B)	34,834.81	23,330.54	16,535.79	15,428.04	10,783.95
A / B *100	36.07%	17.38%	19.84%	20.23%	43.76%
Variation	18.70%	-2.46%	-0.39%	-23.53%	
Variation Rate	107.59%	-12.40%	-1.93%	-53.77%	

Source: Annual Reports

Fig.1.1: Cash and Bank balance to Total current Assets of TCS

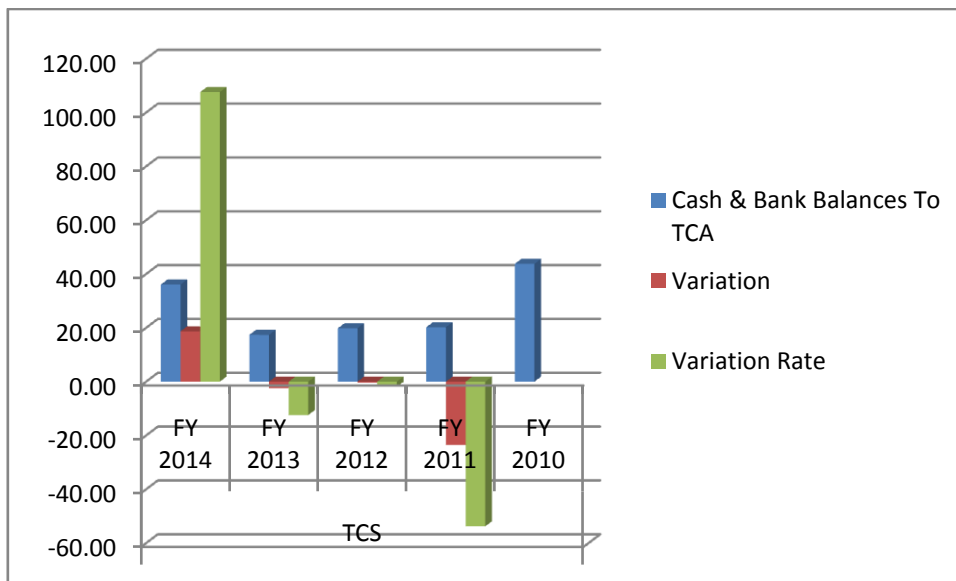


Table.1.2. Shows Cash and Bank balances of TCS

Particulars	TCS				
	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Cash and Bank Balances	12,566.26	4,054.16	3,280.07	3,120.52	4,718.59
Average Cash and Bank Balances	5,547.92				
Variation	8,512.10	774.09	159.55	-1,598.07	
Variation Rate	209.96%	23.60%	5.11%	-33.87%	

Source: Annual Reports

Fig.2: Cash and Bank balances of TCS

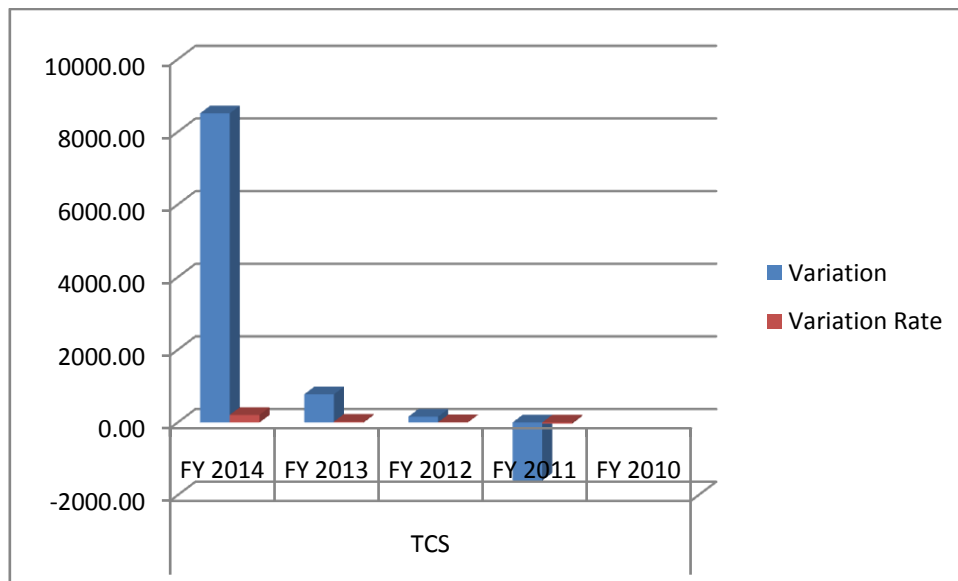
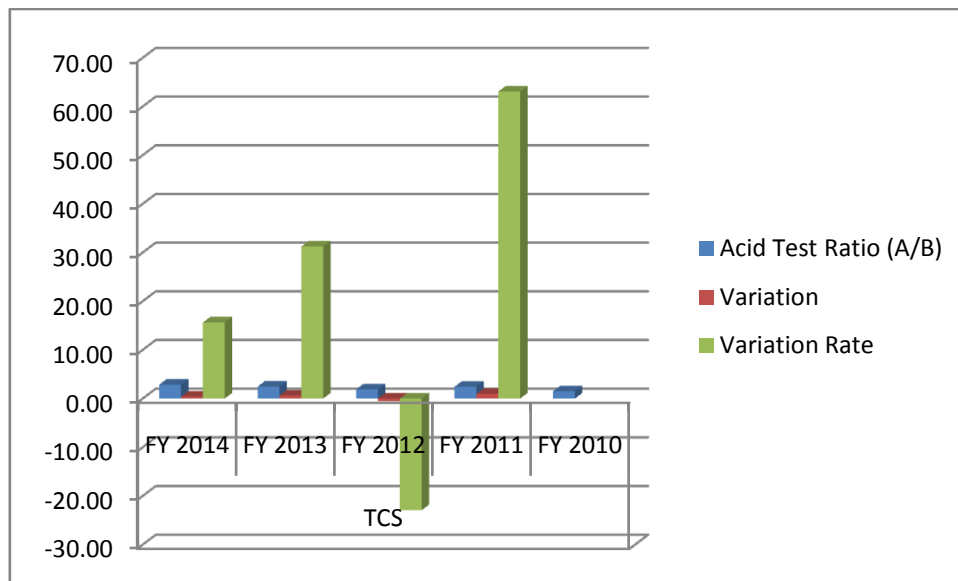


Table.1.3. Shows the Level of Liquid Assets of TCS

Particulars	TCS				
	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Current Assets	34,834.81	23,330.54	16,535.79	15,428.04	10,783.95
(-) Stock	8.57	6.34	4.14	5.37	6.78
Quick Assets (A)	34,826.24	23324.2	16531.65	15422.67	10777.17
Quick Liabilities (B)	12,265.70	9,498.81	8,835.48	6,353.18	7,239.25
Acid Test Ratio (A/B)	2.84	2.46	1.87	2.43	1.49
Variation	0.38	0.58	-0.56	0.94	
Variation Rate	15.63%	31.24%	-22.92%	63.06%	

Fig.3: Liquid Assets of TCS



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