# A Study on Predective Analysis of Receivable Management of ABC Ltd

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**ABSTRACT:**

Receivable management is the process of management regarding decision making in the trade debtors. Receivable management is important for a concern to analyse the credit sales and cash receivables. Average collection period, debtors turnover ratio are the ratios used to maintain effective and efficient receivable management. From the study of receivable management of ABC Ltd for the past five years it was analysed that the company maintains approximately and ideal and debtor turnover ratio and collection period

**KEY WORD:** Receivable management

## 1. INTRODUCTION

Receivable management is the process of making decisions relating to investment in trade debtors. Receivables are sales made on credit basis. Receivables are assets accounts representing amount owned to the firm as a result of the sale of goods or service in the ordinary course of business. Certain investment in receivables is necessary to increase the sales and the profits of the firm. Investment in the receivable asset involves cost consideration.

### Objective of the study

The objective of the study is to predict the receivable management of spinning company for five years.

### Benefits

- Cash position has been improved.
- Control over cash and working capital will be increased.
- Efficiency of accounts receivable management increased.
- Communication between customers were improved
- Reduced administrative costs.
- Credit risk has been minimized.

**Scope**

- Forecasting the credit awareness.
- Needs for a adult policy should be understood.
- Financial statement was understandable.
- Financial analysis and financial statement were applied.
- Administrative cost must be reduced.
- Manage your sales process more effectively by measuring trends and analyzing performance.

## 2. RESEARCH METHODOLOGY

**Tools used for analysis**

Debtors turnover ratio

**Limitations of the study**

- The study is confidential to the assessment of working capital management.
- The study is made for the secondary source of data.
- The study is limited only to the period of 5 years.

## 3. REVIEW OF LITERATURE

**Garg Pawan Kumar (1999)** focuses on the study of working capital trend and liquidity analysis in the selected public sector enterprises of Haryana. The study suggests forecasting of working capital requirement confined mainly to various components of working capital. After considering the facts the author realized the need for proper assessment and forecasting of working capital in the public sector undertaking. For this purpose, he has suggested the analysis of production schedule, sales trend, labour cost etc., should be taken into consideration. He further suggested the need for better management of components of working capital.

**Rao Govinda D. and Rao P. M. (1999)** believes that management of working capital is a continuous process requiring proper monitoring and studying of the relationship of all variables with constant, and drawing inferences. This provides proper direction to the managers. Jain P. K. and Yadav Surendra S. (2001) study the corporate practices related to management of working capital in India, Singapore and Thailand. In this paper the authors have tried to understand the working capital management and current assets and current liabilities, and their inter-relationship. Further the authors have shown an aggregative analysis of current assets and current liabilities in terms of major liquidity ratios. It also states working capital position in terms of these ratios pertaining to various industries. From the paper one can infer that the available data in respect of the sample companies from the three countries confirm the wide inter-industry variations in liquidity ratios. Towards the end, the authors suggest that serious consideration needs to be given by the respective governments as well as industry groups in these three countries in order to take corrective measures to take care of and rectify the areas of concern.

**FINDING OF THE STUDY**

**Tools used:** Debtors turnover ratio

**ANALYSIS**

Debtors turnover ratio = $\frac{\text{Net credit sales}}{\text{Average accounts receivable}}$

Average accounts receivable = $\frac{\text{opening debtors + closing debtors}}{2}$

2018-2019 (Rs. in crore)

Average accounts receivable = $\frac{212.36 + 1092.22}{2}$

=65 2.29

Net credit sales = 4429.76

Debtors turnover ratio = $\frac{4429.76}{652.29}$

= 6.791

2017-2018(Rs. in crore)

Net credit sales = 2582.56

Average accounts receivable = $\frac{212.36 + 137.871}{2}$

=175.115

Debtors turnover ratio = $\frac{2582.56}{175.115}$

=14.747

2016-2017(Rs. in crore)

Net credit sales = 1840.76

$$\text{Average accounts receivable} = \frac{137.87 + 238.15}{2}$$

$$= 188.01$$

$$\text{Debtors turnover ratio} = \frac{1840.76}{188.01}$$

$$= 9.79$$

2015-2016(Rs. in crore)

Net credit sales = 1804.72

$$\text{Average accounts receivable} = \frac{238.15 + 264.79}{2}$$

$$= 251.47$$

$$\text{Debtors turnover ratio} = \frac{1804.72}{251.47}$$

$$=7.1766$$

2014-2015(Rs. in crore)

Net credit sales = 2327.68

$$\text{Average accounts receivable} = \frac{264.79 + 0}{2}$$

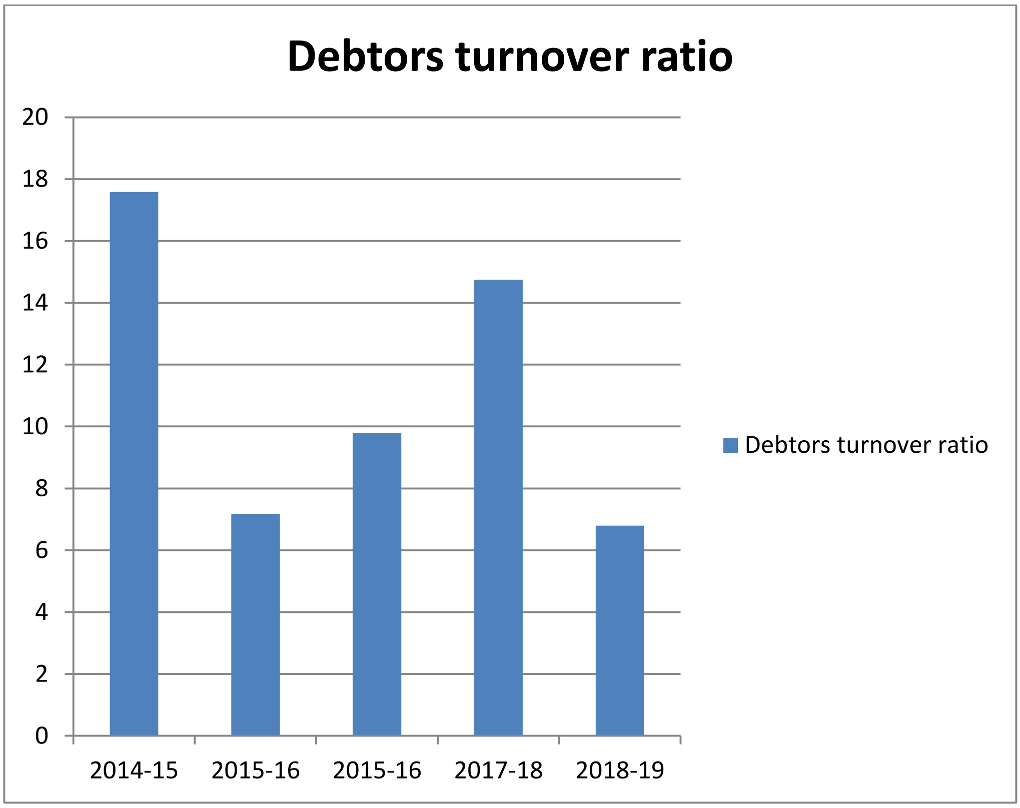
$$\text{Debtors turnover ratio} = \frac{2327.68}{132.395}$$

$$= 17.581$$

TABLE

| YEAR | DEBTORS TURNOVER RATIO |
|---|---|
| 2014-15 | 17.581 |
| 2015-16 | 7.1766 |
| 2016-17 | 9.79 |
| 2017-18 | 14.747 |

CHART




**INTERPRETATION**

The debtors turnover ratio is found out by dividing net credit sales by average accounts receivable. The debtors turnover ratio for the year 2014-2015 is 17.581 times . It has been drastically reduced to 7.1766 times in the year 2015-2016. Again the ratio has slightly increased to 9.79 times in the year 2016-2017. The ratio in the year 2017-2018 has further increased to 14.747 times. At last, the ratio in the year 2018-2019 has greatly decreased to 6.791 times.

## CONCLUSION

The present study aimed at finding the debtors turnover ratio of UNIROLS AIRTEX spinning manufacturing company for five years. The debtors ratio turnover has been decreased from 2014-15 to 2018-2019 so the company's financial position are stable. Hence it is profitable for the company. The debtors turnover ratio measures the efficiency of a firm in managing and collecting the credit issued to the customers.

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