FIN 1110

SAMPLE RESEARCH AND ANALYSIS TASK 2

STUDENT NAME: KEAN STUDENT

STUDENT NUMBER: M02112557

SUBMISSION DATE: FRIDAY 27THJANUARY 9 PM (WEEK 14)

1. **What is the title of your article, who is/are the author/s, when was it written and where did you find the article?**

The article “Why working capital missteps give companies cash nightmare” can be found on the following website: <http://www.businessdailyafrica.com/Why-working-capital-missteps-give-companies-cash-nightmare/539444-3459924-11n7ogfz/>

It was written by Weldon Kigen on 21 November 2016. He is an accountant and member of the institute of Certified Public Accountant of Kenya.

1. **Write a brief summary of the article**

In his article, Weldon discusses the need to focus on working capital management for companies that are experiencing liquidity challenges. He argues that, at all times, current assets should be at an amount that is twice the amount of current liabilities. Weldon further states that if trade receivables are more than three months outstanding, external auditors must seeks appropriate explanation. He then moves on to trade payables (suppliers) and emphasizes that a good working relationship with suppliers is key and can provide source of finance for the company.

The author mentions that [……]

1. **Identify, within the above summary, the Management Accounting concepts being discussed in the article**

The management accounting concepts being discussed in the article are as follows:

* working capital management: trade receivable management, operating cash cycle and trade payable management
* sources of finance, in particular internal source of finance.
1. **Define at least two of those Management Accounting terms (with appropriate referencing)**

Atrill and McLaney (Accounting & Finance for Non-Specialists, Prentice Hall,2015 9th edition) state that working capital management is “an essential part of the business short term planning process”. Working capital is defined as current assets less current liabilities. Therefore, the major elements of working capital are: cash, trade receivables, inventories, trade payables and bank overdraft.

For a retailer, operating cash cycle is defined as the period between the outlay of cash necessary for the purchase of inventories and the ultimate receipt of cash from the sale of the goods.