

ANALYSIS ON WORKING CAPITAL TRENDS: A STUDY OF TITAN COMPANY LIMITED

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ABSTRACT

Working capital is the part of the capital which is required for day to day operation of the business. So it is considered as lifeblood for any business. Working capital management is an important area of financial management. Management of working capital means management of various components of working capital in such a way that an adequate amount of working capital is maintained for smooth running of the firm. The working capital management is more important in the present situation than even the management of profit. The finance manager must be very careful and vigilant as the treatment of various components of working capital such as: cash, inventory, receivables. The working capital management today plays an important role in the management of business. The success or failure of a business also depends upon the way in which current assets and current liabilities are managed. It is expected that proper management of working capital contributes positively to the value of the firm, and liquidity of the firm negatively affects the profitability of the company. The purpose of the paper is to analyze the working capital trends with reference to Titan Company Limited.

KEYWORDS: Working Capital Management, Trend Analysis, Working Capital Trends, Liquidity, Profitability.

Introduction

Business is a dynamic process. It is very difficult to find out the complete information about a business by way of analyzing the financial statement of one year. It is, therefore, important for an analyst to determine the direction and tendency of the business. With the view to determine the direction of a business, the past data relating to the problem have to be studied. This also determines the trend of the business. The trend analysis helps judging the future tendency of the business.

Meaning and Importance of Trend Analysis

Trend analysis makes it easy to understand the changes in an item or group of items over a period of time. It is used to determine the tendency regarding changes in data relating to a business. It is a dynamic method of analyzing the changes over a period of time. Trend analysis enables us to indicate the direction in which a business is going and on this basis forecasting its future is possible.

Methods of Expressing Trends

There are mainly two methods for expressing trends:

- **Trend Ratios:** "The ratio of the magnitudes of a financial statement item in a series of statements to its magnitudes in one of these statements is selected as the base which may be termed as trend ratio." The trend ratios represent an application to the analysis of financial statements of a device that has been used by statisticians in their work since the early days of modern statistical methods. In fact trend ratios are Index Numbers of the movement of the various financial factors of a business. The trend ratios are computed by assigning the number 100 to items of the base year. The percentage of each item of the successive years is calculated in relation to the base year. It may be reiterated that a 'Normal' year is selected as the base year.

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