

CASH MANAGEMENT

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MOTIVES FOR HOLDING CASH

- Transaction motive
- Precautionary motive
- Speculative motive
- Compensating Balances

OBJECTIVES OF CASH MANAGEMENT

- To forecast cash inflows and outflows
- To identify profitable avenues to invest surplus cash
- To arrange for funds in case of cash deficit

CASH FORECASTING AND BUDGETING

- **Cash Budgets:** It help in forecasting and summarizing the cash inflows and outflows for a period of time in future.
- It helps in planning the investment of surplus cash.
- It helps in adjusting the imbalances between forecasted cash receipts and payments.

CASH REPORTS

- Useful in situations in where cash flows donot fluctuate much.

- **Types of Cash Reports:**

1. Daily Cash Report
2. Daily Treasury Report
3. Monthly Cash Report

FACTORS FOR EFFICIENT CASH MANAGEMENT

- Prompt Billing and Mailing
- Accelerating Cash Collections
- Controlling Disbursements
- Playing the Float
- Investment of Surplus Cash

FORMS OF LIQUIDITY

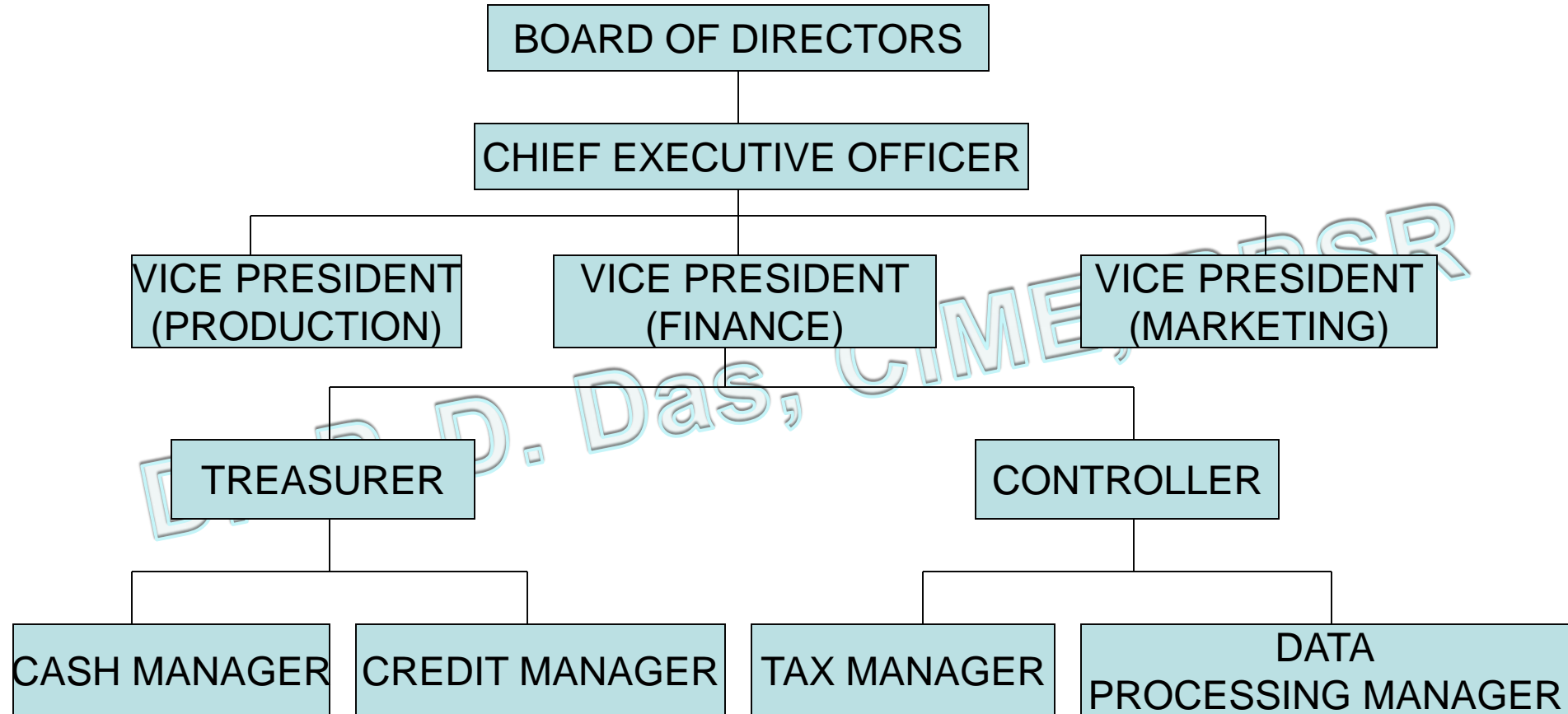
- Cash Balance
- Cash Credit/ Overdraft Arrangement
- Marketable Securities
- Inter Corporate Deposits

SELECTING THE LIQUIDITY MIX

- **Liquidity Mix:** Portfolio of cash and near cash assets
- **Criteria For Selecting a Suitable Liquidity Mix:**
 1. Uncertainty Surrounding the Cash Flows
 2. Management's Attitude Towards Risk
 3. Access to Non-Bank Funds
 4. Control Over Cash Flows

INTERNAL TREASURY CONTROL

GENERAL ORGANIZATIONAL HIERARCHY



FUNCTIONS OF TREASURER

- **Treasurer:** Custodian of cash and other liquid assets.
- **Functions of a treasurer:**
 - Formulating the capital structure of the firm
 - To act as the authorized signatory
 - To beneficially invest the surplus cash
 - To frame the credit policy of the company
 - To establish rapport with investors and bankers

FUNCTIONS OF A CONTROLLER

- **Controller:** Responsible for recording transactions related to current assets
- **Functions of a controller:**
 - To record and reconcile the short-term investments
 - To act as a planning director
 - To consider the regulatory aspects related to the firm
 - To facilitate in the preparation of payroll

INTERNAL CONTROL SYSTEM

- Purpose of establishing control
- Designing the internal control system
- Choosing professionals for the system
- Maintaining and Monitoring the system

INTERNAL AUDIT

- Objectives Of Internal Audit
- Elements Of Internal Audit
- Limitations Of Internal Audit

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AUDIT COMMITTEE

- A sub-committee of the Board of Directors having a major responsibility of reviewing the financial statements.
- **Functions of an Audit Committee:**
 - To evaluate the financial reports and policies
 - To assess the performance of the management and staff
 - To ensure that the company's operations are in line with the shareholder's welfare.
 - To monitor the implementation of recommendations made by internal and external auditors.

METHODS FOR ESTABLISHING PHYSICAL - CUSTODIAL CONTROLS

- Control of authorized signatories
- Control over mail receivables
- Control over petty cash
- Control over bad-debts and receivables
- Control over payments
- Control over petty cash
- Control over investments
- Control over stocks and dividends

INSURANCE CONTROL

- Need for Insurance
- **Types of Insurance Coverage:**
 - Blanket Policies
 - Business Interruption Policy
 - Employees Health Insurance Policies
 - Insurance Against Non-Performance
 - Fidelity Guarantee Policy
 - Life Insurance of Key Personnel

INFORMATION SYSTEMS AND REPORTING

- **Steps Involved In Reporting Through Information Systems:**

1. Programming

2. Budgeting

3. Operating and Accounting

4. Reporting and Analysis

END OF SESSION

for any query,
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