KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI.

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

# CASH MANAGEMENT PRACTICES OF THREE SELECTED LISTED FIRMS ON THE GHANA STOCK EXCHANGE (PRODUCED BUYING COMPANY LIMITED, UNILEVER GHANA LIMITED AND GHANA OIL COMPANY LIMITED)

BY

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## DECLARATION

I hereby declare that this thesis is my own work submitted in partial fulfilment of the requirements for Masters of Business Administration (Accounting) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## DEDICATION

This work is dedicated to my one and only husband, Ricky Duah Boateng, through whose unfaltering love, time, encouragement and all resources invested into this education has made this dream a reality.

## ABSTRACT

The firms cash management practices which manage working capital in the form of cash receivables from customers, inventory holdings and cash payments to suppliers are inexorably linked to the firms operations and performance. However, this subject is often not given the adequate attention in many firms. This therefore ends up affecting the performance of such firms in the long run.

The main objective of the study was to investigate the effect of cash management policies of Produced Buying Company, Unilever Ghana and GOIL Ltd. The study used structured questionnaires and the annual financial report of PBC, Unilever Ghana and GOIL Ltd between 2012 and 2013 for the study conducted.

The methodology adopted to investigate this was basically survey approach, using descriptive and ratio analysis with common size income statement for the year ended 2013, from questionnaires with a total sample of 100 respondents from these three firms and their annual financial reports.

The study found that, the firms with clear-cut cash management policy who are able to match policies with operational requirement and the automation of the cash management processes helped to improve their performance.

The study concluded that a cash management policy that reduces operating expenses and the general administrative expenditures helps to improve financial position of the firms.

Again, according to the study conducted centralization and streamline of company accounts receivable, accounts payable, inventory holdings and cash payment to supplier processes helps to reduce inconsistencies in business operations and improves performance in the long run.

Also the automation of cash management process using the electronic system reduces the conversion cycle and cost of business transaction and improves the profit levels of businesses.

The study therefore recommended that firms must put all the necessary mechanisms in place to reduce its operating cost, by optimizing material resources and time use in the firm, this will help increase volumes of transactions; improve profit levels and the general financial position of the firm in the industry.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of Study

Effective cash management is the fundamental starting point to ensure that the frim's finances are in strong position. However, the subject is usually not given the adequate attention in many firms **(**Mauchi et al 2011). Boot (2004) noted that, cash management is of importance for both new and growing firms. Firms are likely to battle with cash flow difficulties for the reason that they lack adequate margin of safety when it comes to anticipating expenses and therefore they go through difficulty in locating the funds for expansion or research and development. Poor cash flow creates problem for firms in recruiting and maintaining good employees (Beranek, 2000).

There are a lot of measures of firm's performance: revenue, profitability, stock price and production efficiency, to name just a few. At the similar instance, the extent of a firm can as well take part in a role in its performance. A number of studies have revealed that big firms are further productive than small ones (Castany et al. 2005;Van Biesebroeck 2005; Pagés 2010) owed to factors such as improved right of entry to technology, managerial skills, finance and education.

At another extreme, the flexible, non-hierarchical structure of small firms can provide these firms an output benefit. Certainly, some empirical studies contain revealed a fall in output as size increases (Geroski 1998; Tybout 2000). A business organization might measure its performance by means of the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern Small and Medium Term Enterprises (SMEs) have adopted a mixture strategy of utilizing both the financial and non-financial measures. These measures serve as precursors for course of actions, the thought set forward by Palom (2001) and representing that it might be probable to persuade debtors to pay more promptly by granting them discounts when payment is done earlier. In bid to enhance cash management competence and facilitate more accessibility of cash the firm can make use of this as a substitute solution. The objective of controlling accounts receivable is to gather accounts receivable as fast as probable devoid of losing sales from high pressure collection techniques (Gitman, 2008).

### 1.2 Problem Statement

The entire financial information pertaining to the firm have to be aggregated and analyzed for successful decision making. However, this is not always the case for firms; information asymmetry and adverse selection of business partners has been a major challenge to firms in their quest to manage cash and track performance of their activities from both internal and the external environment. These make efficient cash management an essential part of the firm financial planning. According to Bort (2004) the lifeblood of the firm is cash.

The input to flourishing cash management lies in tabulating practical projections, checking collections and disbursements, setting up successful billing and collection methods, and complying to budgetary parameters as cash flow can be a trouble to the firm. However, high levels of managerial inefficiencies and bureaucratic bottlenecks have been a major or some disincentive to firms in developing economies such as Ghana.

The streamline of some components of the firm’s working capital such as accounts receivable, accounts payable and inventory holdings can help the firm to access cash trapped on their balance sheet when approached holistically. However, proper management of your accounts receivable, accounts payable and inventory all fall under the umbrella of effective cash management, which mostly lacking in many firms in the country.

Successful cash management is the basic foundation to make sure so as to the firm’s finances are in well-built state however this issue is usually not given the adequate concentration. The firm’s inability to improve upon their performance is emerging as a result of the absence of matching between the various cash inflows including cash sales and receipts from bills receivable , and outflows which includes bills payable and payments on accounts and as well as inefficient inventory holdings etc. which normally interrupts the usual run of the firm's actions. This have caused the present researchers to undertake a study to assess the impact of cash management policies on firm's performance in Ghana.

## 1.3 Objectives of the Study

The main objective of the study is to do an analysis of the impact of cash management policy on the performance of Produced Buying Company, Unilever Ghana and Ghana Oil Company Limited.

**Specifically, the present study seeks:**

- To explore how the cash management policy has affected profitability and other performance indicators by analysing the financial statements of Produced Buying Company, Unilever Ghana and Ghana Oil Company Limited.

- To investigate the extent to which the centralization or the streamline of accounts receivable , accounts payable, inventory holdings, and cash payments to suppliers processes in the firm help reduce inconsistencies on balance sheet of PBC, Unilever Ghana and GOIL Ltd to improve their performance.
- To examine how linking cash flow forecasts to key working capital metrics from the balance sheet, such as DIO (days inventory on-hand), DSO (days sales outstanding) and DPO (days payables outstanding) influences the performance of PBC, Unilever and GOIL Ltd.
- To evaluate how the frim matching various sources of funding to their capital flows can ensure that profitable business has access to the cash it needs to meet its on-going obligations.

### 1.4 Research Questions

The following questions were posed to guide the study**:**

- Does centralizing the account payable and receivable of the firm helps to improve the firm's performance on the market?
- To what extent does automation of the cash management practices reduce the cash conversion cycle and cost of transaction with clients?
- How does the linking cash flow forecast with working capital metrics affects the performance of the firm?
- How does cash flow around the enterprise and what responsibilities /accountabilities do finance and other functions have in relation to cash management?
- How do you compare to internal and external benchmarks, are you meeting the norms for working capital turnover in areas such as DSO, DPO and DIO?

- Do the firms hold inventory as raw materials, work in process, or finished goods (Capkun et al., 2009)? etc.

### 1.5 Justification of the Study

Being motivated by the recent liquidity constraints faced by some financial intermediaries which led to total bankruptcy across the country; with the Lords Winners Microfinance Institution as a case in point; the study intents to explore more about this subject of cash management practices and the performance of firms as it is found to be current as well as interesting, coupled with the researchers aspires to do a comprehensive studies with cash management and treasury issues in the future.

This study will not only add to facts and understanding in the area of cash management and liquidity issues and its relation to performance of businesses, however it will also add to our own understanding in this subject which will be valuable for future career development.

The problem of information asymmetry, which creates imperfect market conditions for agents on the international market, will be reduced, if not completely eliminated as results of the study recommendations made public for policy decisions to improve Balance of Payment (BOP) positions of the economy.

- The study will generate the research based information of the crash of trade charge instability on exports as this evidence is of key significance for policymakers in a small untie economy like Ghana, which relies a lot on its buy and sell with the outside world. In addition, Ghanaian exporters have faced rather volatile exchange rates during the last decades. It is therefore highly possible that Ghanaian exporters have behaved so in a number of ways based on their experience on the international market.

### 1.6 Organization of the Study

This study is made up of five chapters. The rest of the study is organised as follows: Chapter two covers the literature reviews both theoretical and empirical, Chapter three represents the methodology adopted to help investigate the problem stated earlier, Chapter four involves the results and discussion of the data obtained from the field analysed with the STATA and SPSS software and Chapter five includes the summary of major findings, conclusion and policy recommendations from the findings.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This part is separated into two principal areas. The first area takes into account theories related to the impact of cash management policy on firm's performance as well as principles and concepts. The second section deals with the empirical reviews of literature related to the study.

## 2.1.0 Theoretical Review

### 2.1.1 Cash management of Firms

Davidson (1992) defined cash management as a term which refers to the gathering, absorption and payout of cash. It entails a firm's level of solvency, its management of cash stability and its short time schemes. Pindado (2004) also defines cash management as a portion of working capital that sorts up the ideal level desirable by a firm. Bort (2004) distinguished that, cash management is of significance for both fresh firms as well rising ones. Firms are likely to face cash flow difficulties for the reason that the absence of margin of safety in the event of predicted expenditures such that they experience difficulties in discovering the funds for invention or development. Feeble cash flow makes it problematic to employ and maintain good staffs (Beranek, 2000). Ross (2000) says that, it is lone normal that major firm expenditures are suffered in the manufacture of goods or the delivery of services. Mostly, a firm suffers such costs before the conforming disbursement is received from clients. To add to, workers' remunerations and further expenditures gutter substantial reserves from most firms. These generate functioning cash management an important slice of the firms monetary scheduling. According to Bort (2004), the life blood of every firm is cash. Conferring to Mauchi et al 2011**,** the basic to effective cash management lies in formulating accurate predictions, checking gatherings and payouts, founding operative billing and gathering procedures, and keeping to budgetary limits since cash flow can be a problematic to the firm.

### 2.1.2 Cash collections

As indicated by Ross (2000), cash gathering is a role of financial records receivable, it is the retrieval of money as of a commerce or person by means of which the firm is issued a receipt.  offer hypothetical perceptions counselling knowledge on the way a firm can enhance its cash management effectiveness by gathering accounts receivable as quickly as time permits. The mostclear method for presenting cash inflows would be to squeeze debtors for prior sum even though the outcome of this strategy can be next to no extension for accelerating instalments when the credit period as of now permitted to account holders is close to the standard for the firm. Myers (2004) safeguard the thought set forward by Palom (2001) and showing that it may be conceivable to urge indebted individuals to pay all the more rapidly by offering rebates for prior sum. Keeping in mind the end goal to enhance money administration proficiency and empower more accessibility of money the firm is able to utilize this as an option arrangement. The goal of overseeing accounts receivable is to gather debt claims as fast as could reasonably be expected without losing deals from high weight accumulation strategies (Gitman, 2008).

### 2.1.3 Cash Disbursement

As per Gitman (2008), cash disbursement is purpose of accounts payable; it incorporates all expenses of cash by the firm aimed a given accounting period. The aim of cash dispensing is to manage expenses and reduce the firm's fee related with making payment. Vanhorne (2001), guards the thought set forward by Ross (2000), which says that the goal of cash dispensing is to holdup imbursement the length of it is lawfully and for all intents and purposes conceivable. In seeking after this goal the firm ought not to bargain its associations with suppliers as this may withdraw exchange credit. As indicated by McLaney (2006), arranging a diminishment in cash outflows may be made in array to put off or lessen payments. This will be finished by assuming longer acknowledgment from suppliers. Be that as it may, if the credit period permitted is as of now liberal, creditors may be exceptionally hesitant to broaden credit much further and any such augmentation of credit would need to be arranged painstakingly. There would be a grave danger of having further supplies cannot. The justification for such a move is to have complete control of the money and to furnish more prominent speculation opportunities with bigger totals of cash accessible as excess, (Bort, 2004,). Given the connection of go with, cash disbursements are restricted through a strategy of postponing instalments to suppliers. . Then again, inability to meet budgetary commitments by the firm on time, attributable to cash deficiencies mean loss of further supplies from harmed suppliers. This is to a great degree harming since a few items would be imperative to proceeding with firm operations.

### 2.1.4 Payments mechanisms

Payments mechanisms comprise of exchange services for funds and all mechanisms for acquiring right of entry to financial deposits or exchanging funds to third parties (checks, cash requests, or refuse sacks brimming with banknotes are all payments components.) An expectations for everyday comforts overview of Senegal made the nonsensical finding that destitution was less far reaching in the most bone-dry districts of the nation than in wealthier farming regions (World Bank, 1995), and found that the differing qualities of fiscal action and the broad arrangement of exchanges from urban territories and even abroad to the occupants of the zone gave an adapting system which was missing in the horticultural wealthier range. Exchanges are an essential adapting instrument for poor people, and their unlucky deficiency is regularly one of the characteristics of the poorest of poor people.As of not long ago, postal investment funds frameworks were an across the board instrument for both reserve funds and exchanges.

### 2.1.5 Preparations and Implementations of cash budget

Gitman (2008) states that, a cash plan is a report of the firm have arranged inflows and outflows of cash. It issued by the firm to gauge its short term obligation with exacting concentration being paid to planning to making arrangements for surplus cash or for cash deficiencies. Kirkman (2006) landed at the same thought by highlighting that as a segment of executing a successful cash management agenda, a cash flow statement called a cash budget might be arranged. Chastain (2008) states that financial plans are the budgetary guide firms' utilization, when arranging operational expense and following the income all through the business year. Vanhorne (2001) says that, a general cash management instrument establish in firms is a cash budget. Most firms get ready spending plans on the departmental level and roll these individual spending plans into one master budget. Making a few littler spending plans, can help managers figure out the operations which utilize added cash and battle to remain focused anticipated plan sum. The disclosure gives managers a thought of when upgrades expected to revise the firm's cash flow issues. In this way, cash planning is another guide to a viable cash management. This discovery gives managers an idea of when improvements needed to correct the company’s cash flow problems. Sastry (1995) attests that, all together for cash spending plan to be actualized viably there must be a financial plan board of trustees containing the tall rank decision-making officers of the firm and officers on behalf of the small segments. Gitman (2008) concurs with Lucey (1993) that a budget handbook ought to additionally be presented in the arrangement of a cash budget. Platt (2003) is of the thought that execution of the cash budget is a means of transportation to high-quality cash management. Pindado (2004) contended that, cash budgets, whether arranged on a regular basis, week by week, month to month or annually, must be gauges of cash flows. . Indeed, even the best gauges won't be precisely right, so the deviations of the cash plans are inescapable. . This vulnerability about real cash flows should be considered when the cash plan is being readied. . It is alluring to plan extra cash budgets in light of diverse suppositions, for example, sales levels, costs, gathering periods and dreadful debts. A cash plan or budget model could be built, using microcomputer and a spread sheet package, and the affectability of cash flow forecasts to changes in anticipates of costs, sales could be broke down by making arrangements for distinctive outcomes administration ought to have the capacity to get ready possibility measures ahead of time furthermore value the key elements in the cash plan. Information of the likelihood allocation of probable results for the cash position will permit a more precise appraisal to be made on the base. Palom (2001), promoter the utilization of the likelihood of appropriation of convincible results for the cash position to permit a more exact assessment of the cash budget thus making it conceivable to pivot the cash management issue.

### 2.1.6 Postponing capital expenditure

As per Moffet (2004), putting off capital costs is one strategy that can simplicity cash lack thus, proposes proficient cash management. Kirkman (2006)) states that, some capital uses are more vital and dire than others subsequently, it may be rash to put off use on altered resources which are required for the advancement and development of firm.

Then again, a few costs are standard and may be postponable without genuine results. At the point when a great deal of cash is utilized to pay for fixed assets, the firm may come up against a cash crunch that keeps it from paying suppliers, purchasing materials and notwithstanding paying pay rates. . It's a smart thought, to keep up a level of working capital that permits making through those times to shine and keeping on working the business. Whether the corporate uses an accumulation framework or less extravagant lock box framework, abundance cash offsets at the neighbourhood banks are transmitted to the corporate central station bank through a day by day wire exchange or a mechanized clearing house that makes the funds instantly accessible for corporate utilization.

### 2.1.7 Cash operating cycle

Williams (2001) characterized cash operating cycle as the period from instalment of crude materials to receipt of cash from indebted individuals. The period speaks to the time that the trade is tied up in for cold hard currency its operations. A protracted cash operating cycle may be unreasonable to the organization and subsequently should be abbreviated keeping in mind the end goal to have a compelling cash management (Buckley, 2004). The fundamental approach is to decrease the cash operating cycle however much as could reasonably be expected without antagonistically influencing the operations of the firm. Firms can effectively consider methods of lessening the cash operating cycle to make them more generative (Moffet, 2004). Gitman (2008), states that, money saving advantage can be performed to figure out if is advantageous to utilize more assets whether it is worthwhile to employ more resources, additional staff or a new plant, for occasion to accelerate the production process and there by shortening the operating cycle. Conveyance time to clients ought to be checked to guarantee that there are no postponements which could be effectively kept away from. The firm can likewise consider giving customers rebates for brief instalments or lessening the time of credit given to all of them if this is unrealistic to have negative impact. McLaney (2006) contended that, for such plans to be advantageous, both the expenses and advantages ought to be evaluated ahead of time. For example before offering a brief instalment markdown, the expense of the early instalment rebate ought to be figured not exactly the extra premium got on the cash from the prior client instalments.

### 2.1.8 Concentration Banking

As indicated by Gitman (2008) concentration banking is a way of quickening the flows of finances of a firm by building up compilation centres. The purpose at the rear of building up gathering focuses is to lessen the time from the deal using a loan until the instalment gets to be usable trusts for the firm (Buckley, 2004).The average collection period has two parts; the first part is the time from sales until the customer mails the payment. The second is the time from when payment is mailed until the firm has collected funds in the bank. The gathering and cheque clearing procedures may be speed up various methods. . So as to appreciate the advantages of speedy check, a lock box framework may be utilized to supplant the system of provincial gathering workplaces. Foundations - the nearby contributors or the removed government.

### 2.1.9 Currency Risks

In today's worldwide business atmosphere most firms face a number of classes of coin dangers. Larsson and Hammarlund (2005:119) have recorded a few activities which include cash dangers and those are:  foreign obligation, outside venture, import and export.

There are diverse steps that a firm can take in bid to reduce these risks. Activities which firms can get consist of receiving payments in their own currency or a strong currency when exporting and the opposite for import. . Terms in contracts can likewise be arranged to incorporate a condition about vacillations of the coin. Prospects and advances is another path for enterprises to secure themselves cash chances and accomplish cash scope. Futures and forwards are contracts for either offering or purchasing a definite asset or currency at a certain price, at an exact future date. (Larsson & Hammarlund 2005:123) This sort of agreement is tying for both sides and the value or conversion scale is normally controlled by contrasts in interest rates between the distinctive coinage. Banks does not charge for this facility but rather there are typically a few distinctions in swapping scale between the banks so firms pick up from making a link between them.

### 2.1.10 Cash Management Models

There are two major cash management models that is the Baumol –Allouis –Tobin (BAT) model (Tobin, 2006). The intend of this model is to compute the best quantity of securities to be exchange whenever the unease demands cash. The rank of securities will make the most of interest arriving from saleable securities while lessening the rate of exchanging marketable securities. Nevertheless, indicated by Whalen (2004) the model has its shortcomings shortcoming in that it doesn't make a difference, all things considered, following the utilization and receipt of cash can't be portrayed through quick recharging and slow utilization of cash.

A further cash management model recommended by Miller *et al* (2001) is the Miller Orr Model, which is a stochastic model that goes for deciding the measure of attractive securities to be sold or bought at whatever point there is requirement for cash.

A stochastic model is a model based on genuine suspicion that cash utilization is irregular life. The model shows that the firm sells attractive securities when a lower farthest point of cash is come to. Saleable securities are acquired when the furthest reaches of cash is come to as it gets to be important to decrease cash. At the point when there is no endeavour to oversee cash balances unmistakably the cash offset is prone to "wander" upwards or downwards (Tobin, 2006). The Miller–Orr Model forces cut-offs points to this winding. If the cash balances get to a higher edge the firm buys adequate securities for the cash balance to return to a normal level (called the return point). Whalen (2004) states that the cash balances reaches a lower limit, the firm sells securities to get the balance back to the return point.

**2.2.0 Measuring Firm Performance**

This performance monitoring is used to maintain path of the performance outcomes, which are then used to provide response and carry out tuition sessions.

Firms have quite a lot of performance measurement equipments at their clearance that employers used as a benchmark. Employers assess members of staff job performance using a range of equipments and processes. While some use one or more, smaller firms often choose one device that works most excellent for them and employ it continuously. These systems of measurement are called performance appraisals and must fair and just for workers to deem them credible. Those implementing these tools ought to select those ones that present the upmost level of impartiality probable. Obviously, doing away with all or most bias is not easy, however some tools loan themselves to impartiality enhanced than others. The performance tools by firms includes; 360 degree feedback, balanced scorecard, management by objective (MOB).

As indicated by Poister (2003), performance measurement is planned to make object and important information on program or firm performance so as to can be utilized to fortify management and enlighten decision making, attain results and get better overall performance, as well as enhancing accountability. Notwithstanding, the utilization of specific practices, firms need to adapt their methods of measuring (Kanji, 2002).

Chang (2006) contended that there ought to be a preface of creative approaches such as performance in their labours to attain firm fineness (Kanji, 2002). TQM invests shop floor operators with a lot more authority and responsibility; and up-and-coming of new methods of reporting performance which are pertinent and well-timed for checking advances as needed.

(Zairi, 1992) recommended that TQM based performance measures are vital for the follow reasons: Management requires measurement; To decide what to centre on and what to perk up; To give a ‘scorecard’ for workers to check their own performance levels; To define a benchmark for creating contrast; To give a sign of the rate of poor excellence; To meet up firm goals.

Be that as it may, in any case, Total Quality Measurement (TQM) takes a gander at quality as a long term firm technique. The measurement of quality is important as it gives power, permanence and sustainability performance (Zairi, 2002).

Palo and Padhi (2003) uncovered that performance checking and response are the key drivers for flaw avoidance and incessant development, which are regarded as the basic pillars of TQM. They further contended that, so as to enhance nature of work one needs to work more quick witted, not harder. To accomplish this, consistent guideline and strong input is key.

### 2.2.1 360 Degree Feedback

With 360 degree feedback performance appraisals, managers obtain unidentified response from persons with whom they interrelate regularly in the line of every day operations. These can comprise internal and external customers, superiors, direct reports, subordinates, vendors and sales people. A human resources agent or outside expert trains evaluators in the correct explanation of multiple-choice study questions and on paper responses. Evaluators are selected at chance as of the above groups to prevent slanted results. Managers often trust the responses from 360 feedback appraisals because of their confidential nature. This makes the responders think free to provide sincere answers with no fright of vengeance.

### 2.2.2 Balanced Scorecard

This method puts together quantifiable data, such as sales quotas and budgetary requirements, by means of performance standards exacting to the position. It uses major performance index, or key performance indicators (KPIs), to follow how fit the worker has achieved short- and long-term objectives. These take into consideration the employee's career development and devotion to finest practices as set out by the individual firm. The balanced scorecard method to performance measurement is mainly frequently used at the uppermost level of business; however core management may utilize it as well.

### 2.2.3 Management by Objective

Under this technique, managers convene up with straight information and as one, come out with short- and long-term objectives for the period that are in line with the firm's major goals and mission. At end of the period, the managers gauge their employees' achievements alongside these goals. Peter Drucker came out with the term, "management by objective," in the 1950s when the business world worked pretty in a different way than now. He recommended nonflexible, still goals and objectives for the workers, nevertheless in today's ultra-modern world, liquid and lively goals work most excellent. By allowing for intermittent alteration of the original goals, many firms can still successfully use this model to measure performance.

### 2.2.3 Self Evaluation

Self-evaluation tools permit the worker to pace himself alongside the alike or similar criteria utilized by his manager. Frequently this includes qualitative and quantitative criteria. This technique can lift the trustworthiness level of the procedure in the sight of the worker; particularly while the employee's self-assessment score outline up closely by that of the manager. When the scores are to some extent at chances with one a different, this device provides dialogue processes whereby these differences can be discussed in a secured, positive way.

## 2.3 Empirical Review

In 2013, Matthew Abioro conducted a study in Nigeria on the topic" The impact of cash management on the performance of manufacturing companies in Nigeria" The purpose of this learn was to do an experiential examination of the impact of cash management on the performance of Nigerian manufacturing firms-A study of Cadbury Nigeria Plc. Both secondary and primary data were utilized by the study for the data collection. For apparent examination, the learn centres on two main variables; the dependent variable which was performance and the independent variable which were Cash management variables. Two unlike hypotheses were formulated and tested by means of descriptive statistics and correlation coefficients techniques correspondingly in bid to set up whether there is an important relationship among cash management, performance and liquidity.

The outcome of the study recommended that an important relationship exists between cash management on performance of manufacturing companies in Nigeria. It was also revealed that mere ease of use of cash (liquidity) devoid of good management does not automatically convert into favorable performance for manufacturing firms.

Erkki Kytönen conducted an alike study at the university of Oulu, Faculty of Economics and Business Administration, Department of Accounting and Finance; Finland in 2004 on the topic “Cash management behavior of firms and its structural change in an emerging money market”

The major reason of this study is to look into this possible behavioural vary in cash management by investigating the cash management policies behind the models explaining the cash management behavior and to experiment the constancy of a number of of these models. It is hypothesized that the ecological changes have been notable enough to change the cash management behavior, which can be seen as a structural change in the cash management role. The factors supposed to give details to this occurrence might concern organizational and technological activities in cash management, similarly expert skills in the area of financial transactions and incentives for these especially created by emerging money markets.

The examination was conducted using the survey method to map out the best cash management practices followed by Finnish listed manufacturing and service firms and by testing the constancy of both still and lively models explaining cash management behavior. The experimental fraction of the study is based on three questionnaires in three split years, namely 1988, 1994, and 2000, and the empirical estimation of the particular cash management models by means of financial statement data for the years 1972 to 2001.

The study concludes so as to throughout the research era firms have achieved an important
technological progress (improving systems and methods) and an important behavioral changes (Increasing professionalism) relating to cash management practices, referring to opportunities for additional efficient cash management operations. The constancy tests of cash management models shown so as to a structural vary in cash management behavior occurred subsequent to the deregulation years in the currency market. These outcomes were constant with the surveys referring the growth in the competence of the firms' cash management.

Lucy Wamugo Mwangi, Muathe Stephen Makau and George Kosimbei in School of business, Kenyatta University, Nairobi, Kenya conducted a study on the topic: Effects of Working Capital Management on Performance of Non- Financial Companies Listed In NSE, Kenya” The motive behind this study was to look into the effect of working capital management on the performance of non-financial companies listed in the Nairobi Securities Exchange (NSE), Kenya. The study used an explanatory non-experimental research design. A census of 42 non-financial companies listed in the Nairobi Securities Exchange, Kenya was taken. The study utilized secondary panel data enclosed in the annual reports and financial statements of listed non-financial companies. The data were extracted from the Nairobi Securities Exchange hand books for the period 2006-2012.The study applied panel data models (random effects). Feasible Generalized Least Square (FGLS) regression results shown that a aggressive financing policy have an important positive consequence on return on assets and return on equity whereas a conservative investing policy was establish to have an effect on performance positively. The study suggested that managers of listed non-financial companies have to take on an aggressive financing policy and a conservative investing policy have to be used to improve the performance of non-financial companies listed in the NSE, Kenya.

A study conducted by James R. Kroes and Andrew S. Manikas in 2014 on the topic" Cash Flow Management and Manufacturing Firm Financial Performance: A Longitudinal Perspective" was also reviewed for the purpose of this study. The purpose of the study was to look at the relationships between changes in cash flow measures and changes in firm financial performance using a longitudinal sample of firm data; and (ii) investigates the direction of the relationship between quarterly changes in cash flow positions and firm financial performance. This study is conducted using the Generalized Estimating Equations (GEE) methodology to analyze a longitudinal sample of eight quarters of cash flow and financial performance data from 1,233 manufacturing firms. The analyses find that changes in the widely used Cash Conversion Cycle (CCC) metric do not relate to changes in firm performance; nonetheless, changes in the less used Operating Cash Cycle (OCC) metric are found to be significantly associated with changes in Tobin's "q". This examination of how changes in specific cash flow measures relate to changes in Tobin's q shows that both reductions in Accounts Receivables (measured as Days of Sales Outstanding [DSO]) and reductions in Inventory (measured as Days of Inventory Outstanding [DIO]) relate to firm financial performance improvements that persist for several quarters. Endogeneity tests of whether a firm's cash flow management strategy leads to changes in firm performance or if the cash flow strategy is a by-product of firm performance suggest that reductions in DSO lead to enhanced firm financial performance.

In 2008, H Gin Chong, did a study on the topic "Measuring performance of small-and-medium sized enterprises: the grounded theory approach "in Texas, USA. The key objective of the study was to measure performance of small-and-medium sized enterprises using the grounded theory approach .a series of semi-structured interviews were conducted with five owners-manages who hire twenty or less employees in Texas, USA. Using the procedures stipulated by the grounded theory, this study reports the findings of in-depth semi-structured interviews with five owners-managers of small and medium sized enterprises (SMEs)on how performance is being measured. The findings reveal that the owners-managers use a hybrid approach combining both the financial and non-financial measures to evaluate performance against the programmed goals and time. Time axis was based on the durations of carrying out a project. The results have implications to both the SMEs and large organizations.

Damiyano et al in 2011 conducted a study based on the topic “The effectiveness of cash management policies: a case study of Hunyani flexible products “The study sought after to evaluate the effectiveness of cash management policies at Hunyani Flexible Products (HFP) using data from 2000-2010. Other objectives of the study were to discover the key processes and models in cash management; look at the impact of poor cash management on the overall company performance and come up with strategies that can guide to an efficient cash management scheme. The descriptive survey process was used to seek data from the respondents and a case study technique was also used. The research study was limited to respondents at Hunyani. Flexible merchandise where a sample of forty (30) respondents was drawn. Information was acquired by using interviews, administering questionnaires and by observations. From the research conclusions, it was recognized that there is a tall lack of an efficient cash management policy even though a number of attributes of an effective management system were present. The study established that there is a positive connection between the level of cash flow and the profitability of the company. The research concluded that, cash management is a culture that forms part of the plan of firms and depends further on managers themselves than the features of firms.

# CHAPTER THREE

# METHODOLOGY

## 3.0 Introduction

This chapter talks about the methodology that was used in the study; it is common research scheme that forms the manner in which research is to be done. It also points out the approaches to be used in the study. It looks at the methods used to collect data as well as the analyses of the data that will be received from the field which will enable the study achieve the set objectives for this investigation. Key research terminologies like population, the sample size, sample techniques and research instruments used in the data collection are clearly defined and explained. Data collection methods and data analysis methods are further discussed under this chapter.

## 3.1 Research Design

This research study is designed to adopt the descriptive and analytical research methods. This is because it involves investigating, recording, analysing and interpreting data gathered from management staff of PBC, Unilever Ghana an GOIL ltd.

Also, under the design, the researcher adopted non-experimental research designs, because situations, circumstances or experience of participants or objects of study cannot be manipulated with this design. Again, under the design, the study talks of the qualitative and ratio's analysis approach adopted for this study. Some of the Qualitative analyses that were adopted for the work were summary statistics for the variables used in the estimation and also through the use of bar chart and pie-chart to investigate the impact of cash management practices on their performance.

In this study, the financial statements of PBC, Unilever Ghana and GOIL Ltd are looked at taking into account their common size income statement for the year ended 2013 and also a ratio analysis using the years 2012 and 2013.

## 3.2 Population

The population is made up of all members of a described group that a researcher studies for fact steered conclusions.

The population of this study comprised 100 representatives from Produced Buying Company (PBC), Unilever Ghana Limited and Goil Oil Company, including branch managers, operation managers, relation officers, purchasing clerks, cashiers and customer service officers.

These people were selected because they are those who offer service and manage the services respectively.

## 3.3 Sample Size

This study was conducted for 100 employees from PBC, Unilever and Goil. These were managers and employees in the mentioned corporate firms. Of these, 38 were branch managers, 30 were operational managers, 15 were purchasing clerks, 9 were cashiers, 4 were customer relation officers and 4 were relations officers.

## 3.4 Sampling Technique

The sampling technique adopted for the purpose of the study was a purposive sampling method. This method is non- probabilistic though, that is , not all the management staff of the selected companies (Unilever Ghana Limited, Produce Buying Company and Ghana Oil Company) in Ghana stand equal chance of being selected or sampled to respond to the questionnaires administered for the purpose of this study. The purposive sampling method was appropriate because it enabled selection of informed persons who posed vital data that is comprehensive enough to allow gaining a better insight into the problem.

In all 100 individuals were sampled for this study. This was made up of 50 heads of the selected companies, 50 other management staff of these selected firms.

### 3.5.0 Data Collection

Two types of data were gathered for this research study; these were primary and secondary data.

### 3.5.1 Primary Data

Primary data are the first hand information collected specially for the research being undertaken (Saunders et al, 2007). This is data gathered based on the research needs or a project at hand. Primary data for this study included answers provided by respondents to questionnaires administered and interviews conducted for the study.

### 3.5.2 Secondary Data

Secondary data is documentary sources out of which data relevant for current research may be extracted. Secondary data for this study was derived from published documents and literature. These included journals, newsprint, official reports, brochures as well as data gathered from the companies' website.

Both secondary and primary sources of data were used for the study. Primary data was collected with questionnaires. The individual management staff of PBC, Unilever Ghana and GOIL Ltd were interviewed for the primary sources of data; however, Secondary sources of data including recent financial statements of the three companies (Produce Buying Company, Unilever Ghana Limited and Ghana Oil Company Limited) specifically 2012 and 2013 financial year, published on the company's websites and other academic journals used for financial analysis and as literature reviewed for this study in these selected firms in Ghana.

### 3.6.0 Data Collection Techniques

Data collection techniques refer to the methods for gathering reliable information to answer a question or support an experimental hypothesis (Microsoft Encarta, 2009). Data collection implies gathering information to address the critical questions that had been identified earlier in the study. In order words, it involves gathering the necessary information to address the critical questions the research intends to solve. (Brinkerhoff et al 1983) and (Leeds 1992). In this light, various techniques and instruments were employed to gather valid and reliable data to address critical questions. It must be emphasized here that good data is directly related to the questions, that is, they provide direct answers (Padak and Padak 2009).

### 3.6.1 Data Collection Instruments

The data collection instrument used was the survey method. This is because; surveys represent the most commonly used instrument in data collection in the social sciences and as informed by literature reviewed for the study. In general, surveys are methods of data collection in which information is gathered through questioning, face to face interview, personal observations and questionnaire administration used in collecting the data, occasional visits to these selected companies (PBC, Unilever Ghana and GOIL Ltd) and personal observation of the system also helped to ascertain some responses elicited from the population sampled.

### 3.6.2 Questionnaire

Structured questionnaires were used to elicit relevant information from the respondents identified for this study. They are prepared set of questions used to obtain information from a sampled population. They are especially useful to obtain information about reasonably big groups. Questionnaire is usually characterized by relatively low cost, ease of interpreting information and likelihood of answering each (Gerber, 2009). The questionnaire for the purpose of this study was designed to encapsulate the objectives of this research. In this study, the Likert scale, by Rensis Likert (1981) and the binary response structure (yes and no) were used in designing the questionnaires in order to obtain the needed information for the study. The questionnaires designed for this study basically contained closed-ended questions with options for responses provided for the respondents to choose from.

### 3.6.3 Interviews

An interview, according to Barbie (1975) is a data collection encounter in which one person (interviewer) asks questions of another (interviewee). This is done by telephone or face to face. A semi structured interview was also conducted to seek further clarification and also to verify some of the responses provided by the respondents.

The type of interview conducted for the study was a face-to-face interview, which was one-on-one. The interview was generally conducted around the research objectives of the study, that is, to do an empirical analysis of cash management policies on firms performance in Ghana, the aim was to obtain as much credible information as possible for the study. The information varied from one respondent to the other across the companies and their individual branches in Ghana.

## 3.7 Reliability and Validity

The intent and purpose of the study was together an accurate data that will help to generate more empirical evidence from the study for policy decision in future and add knowledge to the subject area of this study.

For this reason, the study tried as much as possible to ascertain the reliability and validity of the data collected for analysis by contacting the experienced frontline management staff who are with concrete information to support the study. For reliability of the work, the researcher made sure that the information obtained from these individual staff of PBC, Unilever Ghana and GOIL Ltd through the interview were cross-checked with that on the company's website, brochures and other journals relevant for the study as well as the ratio analysis made.

Data obtained were cleaned by sorting and resorting and questionnaires were given special codes for easy identification to avoid unnecessary mix-ups during analysis of the information gathered. Inappropriate handling of data gathered can lead to generation of misleading results from the study and wrong conclusions drawn from this study.

The researcher enjoyed good co-operation from the interviewees/respondents; before the interview period, the researcher establishes a good relationship with some of the offices by visiting them on few occasions to ask few questions on the research work. Simple language was used in designing the questionnaires to facilitate understanding of questions and avoid ambiguous language. In terms of validity of the study, the purpose and the nature of the questions administered directly assess the issues raised in the research questions. The interview was conducted at the time management staff were less busy in order to enjoy the fullest attention and corporation from respondents.

The ratio analysis made through the date obtained from the website of the three companies and brochures were reviewed to ascertain some of the information given by the staff through the interview conducted. When gathering information for the study, the researcher made sure that data was verified from different sources, to ensure credibility, validity and reliability of the information gathered for the study.

### 3.8.0 Data Analysis

Analysis according to Microsoft Encarta Dictionaries (2009) is" the examination of something in detail in order to understand it better or draw conclusions from it''. Under data analysis, the data collected is examined to obtain an orderly manner in which the questions have been responded to. In the event where more than one question is asked, the data is sorted accordant with the questions.

Data that do not relate directly to the questions you have asked are then discarded. (Padak and Padak 2009).According to Saunders et al, (2007) `` a comprehensive and an unprejudiced interpretation of primary sources, along with an analysis stage. It also involves techniques of extracting and organising data into an appropriate framework for a particular study.

### 3.8.1 Method of Data Analysis

Descriptive analysis was done with the general information gathered with questionnaires and from the financial statement gathered, here, the frequencies and the percentage frequencies and the ratios were presented in a table with Demographic information, while bar and pie chart were used to present information as outlined during the analysis of the gathered information.

SPSS 16.version was used to do the empirical analysis of the performance of PBC, Unilever Ghana and GOIL Ltd, given their cash management practices. This helped the researcher to explore the financial and statistical properties of the data used

# CHAPTER FOUR

# RESULTS AND DISCUSSION

## 4.0 Introduction

In this chapter, the results from the study are presented and discussed. This chapter consists of three sections. Section 4.1 presents a discussion on the demographic characteristics of respondents. Section 4.2 presents an analysis and discussion of financial statements of the selected firms and implications of cash management on frim performance.

Last but not the least, section 4.3 concludes the chapter with detailed analysis of the responses from the respondents.

## 4.1 Demographics Information from Respondents

**Table 4.0. Demographic Information of Respondents**

| VARIABLES | FREQUENCY | PERCENTAGE |
|---|---|---|
| AGE | | |
| 18-30 years | 11 | 11.0 |
| 31-40 years | 16 | 16.0 |
| 41-50 years | 52 | 52.0 |
| 51-60 years | 21 | 21.0 |
| **LEVEL OF EDUCATION** | | |
| Basic | 17 | 17.0 |
| Secondary | 21 | 21.0 |
| Tertiary | 62 | 62.0 |
| STATUS WITH FIRM | | |
| Branch Manager | 38 | 38.0 |
| Purchasing clerk | 15 | 15.0 |
| Relations Officer | 4 | 4.0 |
| Operations Manager | 30 | 30.0 |
| Customer Service Officer | 4 | 4.0 |
| Cashier | 9 | 9.0 |
| YEARS /EXPERIENCE WITH FIRM | | |
| < One Year | 18 | |
| One - Two years | 16 | 18.0 |
| Two - Five years | 31 | 16.0 |
| Five - Ten years | 26 | 31.0 |
| > Ten years | 9 | 26.0 |
| | | 9.0 |

SOURCE: Researcher’s Survey Data, (2015).

From the table above, it could be observed that majority of the respondents were aged between 41 to 50 years. This category constituted 52 percent of the total respondents of 100. This group was followed by 51 to 60 years, with 21 percent of total respondents.31 to 40years constituted 16percent and 18 to 30 years group had 11 percent. This indicates that the information gathered was from mature and more experienced staff members of the firms selected since all respondents were above 18years of age and this makes them capable of giving most reliable and adequate data.

With respect to the level of education of respondents, it came up that most of the respondents were with tertiary level qualification, this category constituted 62 percent of the total respondents of 100 while secondary and basic school levels constituted 21 and 17 percent respectively.

When it comes to respondents status with the selected firms, majority of them were branch and operational managers; constituting 38 and 30 percent respectively, this categories are amongst the frontline operations staff and so will have a lot of credible information from their individual firms and more knowledgeable on the firm's performance. Purchasing clerks and cashiers constituted 15 and 9 percent respectively of the total respondents of 100.

Respondents years of experience with firm was another indicator of concern for this study, as experienced workers often are those who have spent more number of years with the firm and are believed to witness several changes, trends and patterns of work or services in the firm. They therefore have the best information on the institutions and can help do a more credible assessment on the firm's performance. Here, majority of respondents where with rich experience, example it came up that 2 to 5 years and 5 to 10 years experience constituted 31 and 26 percent respectively. Less than 1 year and more than 10 years of experience were 18 and 9 percent respectively. The Demographics helped to ascertain the source, nature of respondents and credibility of information gathered for the study.

## 4.2 Financial Analysis of the Selected Firms.

**Table 4.1. COMMON SIZE INCOME STATEMENT FOR THE YEAR ENDED 2013**

| COMPONENTS | P B C LTD | UNILEVER | GHANA OIL CO. LTD |
|---|---|---|---|
| | % | % | % |
| Revenue | 100 | 100 | 100 |
| Cost of Sales | (90) | (73) | (94) |
| Gross Profit | 10 | 27 | 6 |
| Other Income | •68 | – | •35 |
| Direct Operating Expenses | (4 . 3) | (8. 9) | (1.3) |
| General and Administrative Expenses | (2.7) | (11.5) | (2.7) |
| Operating profit before financing cost | 3.7 | 6. 4 | 1.9 |
| Financing Income | – | •2 | – |
| Financing Expenses | (4.6) | (•8) | (•02) |
| Loss/profit before Taxation | (•9) | 5.8 | 1.8 |
| Income Tax Expenses | •2 | (1.5) | (•5) |
| Loss/Profit Transferred to Income | (•7) | 4 . 3 | 1 . 3 |
| Surplus Account | •2 | 1.1 | 0.3 |
| Other comprehensive income | – | (•3) | – |
| Income tax | •2 | 0.8 | 0.3 |
| Available for financial Assets | | | |
| Total comprehensive income for the year | **(0.57)** | **(5.2)** | **(1.7)** |

**SOURCE: G S E DATA; Researcher's Computations (2015).**

### 4.3 Common Size Income Statement Analysis:

**Revenue:** Irrespective of the figures recorded for revenue for each company, they were equated to 100% as against the rest of their direct and indirect expenses for the year under review.

**Cost of sales:** From the table above; Ghana Oil Company limited recorded the highest figure (94), followed by P.B.C limited (90) and Unilever Ghana recorded the least 73. High costs of sales automatically affect profit levels of the firm.

**Gross Profit:** Unilever Ghana recorded the highest (27), this could be as a result of the prudent cash management policies employed by the firm to reduce the cost of sales in the year under review. This was followed by Produce Buying Company limited with, 10 and Ghana Oil Company limited with 6. Here, it could be observed that higher transaction cost affects profitability of firms.

**Operating Expenses (Indirect):** Ghana Oil Company recorded the least figure by actually managing their expenses well; this was followed by PBC limited and lastly the least managed expenses was the Unilever Ghana, from the table above.

**Operating Profit before financing cost:** As a result of poor cash management practices with operating expenses, profit made during the year by Unilever dropped drastically from gross profit of figure of 27 to 6.4; that of PBC equally dropped from10 to 3.7 while Ghana Oil limited also dropped their profit margins from 6 to 1.9 respectively. However, in percentage terms; PBC dropped with the highest percentage point of 37%, followed by Ghana Oil Company Limited dropping by 31%, while Unilever dropped by 24% of the total gross profit

**Income Taxes:** Taxes imposed on the companies further reduced the profit made by the companies for the year under review. Here, the tax incidence was very heavy on Unilever with 1.5, followed by Ghana Oil with 0.5 and then PBC with 0.2

**General Administrative Expenditure:** From table 4.1, it could be observed that Unilever Ghana Limited incurred the highest with 11.5, while Unilever and PBC registered the lowest both with 2.7

**Total Comprehensive Income for the year:** From the above common size income statement for the year 2013, the best company was the Unilever Company of Ghana, followed by Ghana Oil Company Limited and then Produce Buying Company Limited. The analysis above indicates that the manufacturing sector performed relatively better than the financial sector and agricultural sub-sector in the period under review, according to the data gathered on these firms from the Ghana Stock Exchange and their cash management practices had a role to play in that.

**4.4 Financial Ratio Analysis (Reference to Appendix III)**

Here, four ratios are being analysed to assess the implication of cash management policy on performance of PBC Ltd, Unilever Ghana Ltd and Goil as profitability is concerned. These ratios include: Profitability, Liquidity, Activity and Leverage Ratios.

**Profitability Ratios:** These ratios measure the firm's ability to earn revenue in excess of its operating costs. The rule is that the higher the percentage, the better. The following profitability ratios were looked at for this study: Gross Profit Margin, Net Profit Margin and Return on Capital Employed.

**Gross profit margin:** PBC in 2012 had a gross profit margin of 11.3% but it decreased to 10.6% in 2013. This could be as are result of a bad cash management policy which did not allow them to manage their cost of sales in 2013 efficiently.

Unilever Ghana on the other hand had a gross profit margin of 23.3% in 2012 but had 26.8% in 2013. The increment which is good could be as a result of them controlling their cost of sales better in 2013 than in 2012 and this cash management policy helped to improve their performance during that year.

However, Ghana Oil Company, had a profit margin of 5.7% in 2012 and 5.6% in 2013. The drop which is not good for the frim could be a result of GOIL not putting in place better cash management policy in 2013 and that affected their performance as against 2012.

In all, Unilever did well with the greatest gross profit margin in both years and the increment, followed by PBC and GOIL respectively. This better performance could be a result of the better cash management policy Unilver had in place which enabled them to control their cost of sales which PBC and GOIL did not.

**Net Profit Margin:** PBC Ltd again under the net profit ratio recorded a fall from 5.2% in 2012 to 3.7% in 2013 which indicates a poor performance in 2013 as against 2012 for the frim. This could be as a result of PBC Ltd cash management policy not being able to reduce their operating and general administrative expenses, hence affecting performance. Unilever Ltd also recorded a drop in net profit margin of 7.3% in 2012 to 6.4% in 2013. But Goil had 1.9% net profit margin for both 2012 and 2013. This means that there was no improvement or decline in the frim's performance for the two years.

Again in all, Unilever with the highest percentage of net profit margin in both 2012 and 2013 performed better than PBC and Goil Ltd. This was due to Unilever's better cash management policy which help them to reduce their operating and administrative expenses for both years and hence, improvement in their performance.

**Return on Capital Employed:** With the ROCE, PBC recorded 21% in 2012 and 12.6% in 2013. The fall indicating a fall in performance as a results of poor cash management policy of the firm.

Unilever Ltd had a ROCE of 54% in 2012 and 50% in 2013, while GOIL 8.7 in 2012 and 8.4 in 2013.

Unilever again performed better than PBC and GOIL with the highest ROCE in both 2012 and 2013 due to their better cash management practices they had in place.

In sum, Unilever performed better than PBC and GOIL with the above profitability ratio analysis due to their better cash management policy they had in place which the latter to firms did not. But it must be noted however that these profitability ratios are not without limitations. There are limitations such as manipulation possibility, emphasis is on short-term profits, sometimes high or low profit may be due to chance, among many others.

**Liquidity Ratios:** They are the capability of the firm to meet up its immediate obligations upon maturing. The following ratios were looked at under this study: Current Ratio, Acid Test/ Quick Ratio and Working capital.

**Current Ratio:** For this ratio, the norm is 1.5:1.

PBC Ltd in 2012 has a current ratio of 1:1 which shows that their assets can equally be used to pay their current liabilities when they mature, though not satisfactory. In 2013, PBC recorded a current ratio of 0.9:1 which indicates that the firm will have to borrow at a cost to enable it meet its short-term obligations when they fall due. This could be as a result of some bad cash management practices the firm had in place which might have led to accounts receivable being too high, slow moving inventory and so on.

Unilever Ltd had a current ratio of 0.8:1 for both 2012 and 2013. This indicates that Unilever cannot use its current liabilities upon maturing with their assets and therefore will have to borrow to meet its current liabilities when due in both years.

GOIL Ltd recorded 1:1 for 2012 and 0.9:1 for 2013. This indicates that, in 2012, the firm's assets will equally be able to meet its short-term obligations though not the best, but in 2013, the assets cannot and they will therefore have to borrow to enable them meet their short-term obligations when they fall due.

In all, PBC Ltd and GOIL performed better than Unilever in terms of their ability to meet their short-term obligations when they fall due.

**Acid Test/ Quick Ratio:** The norm is that, acid test ratio must range from 1:1 to 0.7:1.

PBC Ltd recorded an acid test ratio of 0.7:1 for both 2012 and 2013 indicating that granting the realizing of inventories, the firm's available resources (cash and receivables) can meet current liabilities 0.7times. This could be as a result of good cash management practices put in place by PBC Ltd.

Unilever Ltd recorded an acid test ratio of 0.6:1 in 2012 and 0.5:1 in 2013 indicating that in both years, realizing inventory, the firm's available resources can only meet its current liabilities 0.6 times and 0.5 times respectively which is not good for the firm. This could be as a result of poor cash management practices and hence bad performance.

GOIL Ltd on the other hand recorded 0.95:1 for 2012 and 0.9:1 for 2013 indicating that in 2012,the available resources after realizing inventory can meet current liabilities 0.95 times and in 2013, 0.9 times which depicts good performance. This could be attributable to the good cash management practices the frim put in place.

Under the acid test ratio, GOIL performed better, followed by PBC and lastly Unilever.

**Working Capital:** Here, the positive values are acceptable while the negative values are unsafe.

PBC recorded an increase in working capital from 9272989 in 2012 to 28434587 in 2013 which indicates an improvement in performance and this could be attributable to their good cash management practices they had in place.

Unilever recorded a negative working capital figures for both years; (17480) in 2012 and

(29474) in 2013 indicating a bad performance as a result of bad cash management practices.

GOIL recorded a positive figure of 669748 in 2012 indicating a good performance and a negative/unsafe value of (13131715) in 2013 indicating a decline in performance.

In sum, PBC performed better with the working capital ratio, followed by GOIL and lastly by Unilever.

However, it must be noted that liquidity ratios are not without limitations. Among them are; possibility of manipulation or window dressing, current ratio being a test of quantity and not quality and change in inventory valuation method by firms.

**Activity Ratios:** These show how effective a firm's management is in utilizing the resources to generate revenue. The following two ratios were considered: Sales to Capital Employed and Sales to Fixed Assets ratios.

**Sales to Capital Employed Ratio:** Under this ratio, a higher figure is preferable.

PBC in 2012 recorded a sales to capital employed ratio of 4:1 and in 2013 recorded 3.4:1 indicating that in 2012, each cedi of capital employed can produce 4cedis sales revenue and in 2013, each cedi of capital employed might produce 3.4cedis sales revenue which all indicate better performance and this was as a result of the good cash management practices the firm had in place.

Unilever recorded a sales to capital employed ratio of 7.4:1 in 2012 and 7.8:1 in 2013 indicating that for each cedi of capital employed can produce 7.4 cedis sales revenue in 2012 and 7.8 cedis sales revenue in 2013 depicting a good performance.

GOIL too recorded a sales to capital ratio of 4.8:1 in 2012 and 4.5:1 in 2013 which indicates that in 2012, for each cedi of capital employed by GOIL, the firm can produce 4.8 cedis sales revenue and in 2013, for each cedi of capital employed can produce 4.5

cedis sales revenue. These are all indicators of good performance as a result of good cash management practices the firm had in place.

However, in all, Unilever performed better due to the better cash management policy they had in place than what GOIL and PBC had.

**Sales to Fixed Assets Ratio:** Under this ratio, a high figure is preferable.

PBC recorded a sales to fixed assets ratio of 20:1 in 2012 and 13:1 in 2013 indicating that in 2012, every cedi value of fixed asset was utilized to generate 20cedis worth of sales while in 2013, every cedi value of fixed asset was utilized to generate 13cedis worth of sales. There was a fall from 20 in 2012 to 13 in 2013 which denotes improper utilization of assets by the firm.

Unilever had a sales to fixed assets ratio of 5:1 in 2012 and 4.6:1 in 2013. This means that in 2012, every cedi of fixed asset was utilized to generate 5cedis worth of sales and in 2013, every cedi of fixed asset was utilized to generate 4.6cedis worth of sales. There was a decrease which depicts improper utilization of assets by the frim.

GOIL had 14.9:1 in 2012 and 12:1 in 2013. They also experienced a fall just as the other two firms but in all, PBC was very efficient in utilization of their assets to generate sales, followed by GOIL and lastly, Unilever.

Activity ratios is also limited by manipulation.

**Leverage/Gearing Ratios:** They are used to measure the relationship between the debt and equity capital of the firm and also show the long term financial risk and stability of the firm. The following two ratio were considered; Debt Equity Ratio and Interest Cover.

**Debt Equity Ratio:** Normally, 1:1 is considered satisfactory for most firms.

PBC Ltd in 2012 had a debt equity ratio of 5.9:1 and in 2013, had 8.3:1. This means that in 2012, the creditors of PBC provided 5.9cedis for each cedi of asset provided by shareholders and in 2013, the creditors provided 8.3 for every cedi of asset provided by the shareholders of the company. PBC Ltd is therefore a highly geared firm.

Unilever recorded a debt equity ratio of 1.2:1 in 2012 and 1.3:1 in 2013 while GOIL recorded 3.5:1 in 2012 and 3.7: 1 in 2013.

With the debt equity ratio, Unilever Ltd performed better, followed by GOIL and lastly PBC Ltd.

**Interest Cover:** PBC Ltd recorded an interest cover ratio of (4.0) times in 2012 and (5.4) times in 2013 which indicates that PBC is incapable to service its interest expense with its earnings in both years.

Unilever Ltd recorded 4.4 times in 2012 and 4.0 times in 2013 indicating that the firm is more capable of paying its interest expense with its earnings in both years.

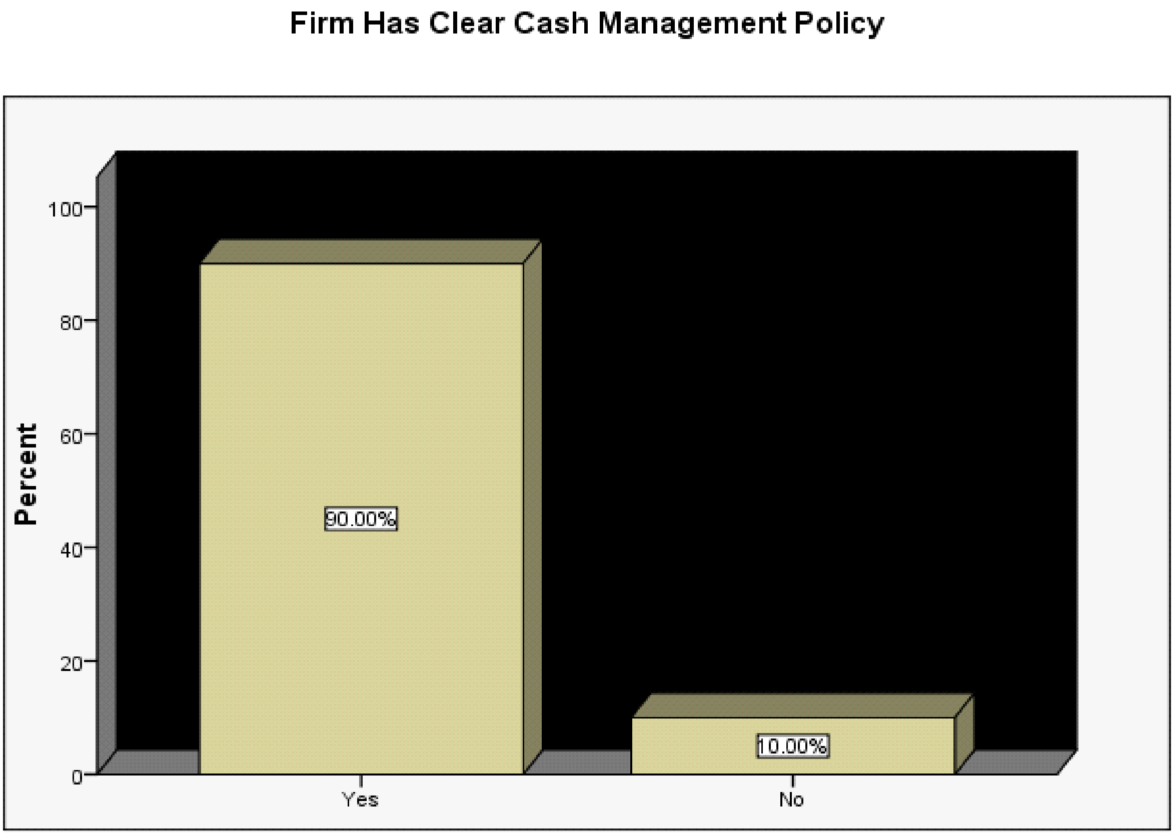
GOIL Ltd recorded 3.0 times in 2012 and 3.9 times in 2013 indicating that this frim is also more capable of paying its interest expense with its earnings in both years.

In sum, under the interest cover ratio, unilever is doing well as a result of good cash management practices enabling them to perform well and earn more profit, followed by GOIL Ltd and lastly, PBC Ltd.

Leverage ratios can also be manipulated and that’s a limitation.

## 4.5 Qualitative/Descriptive Statistical Analysis

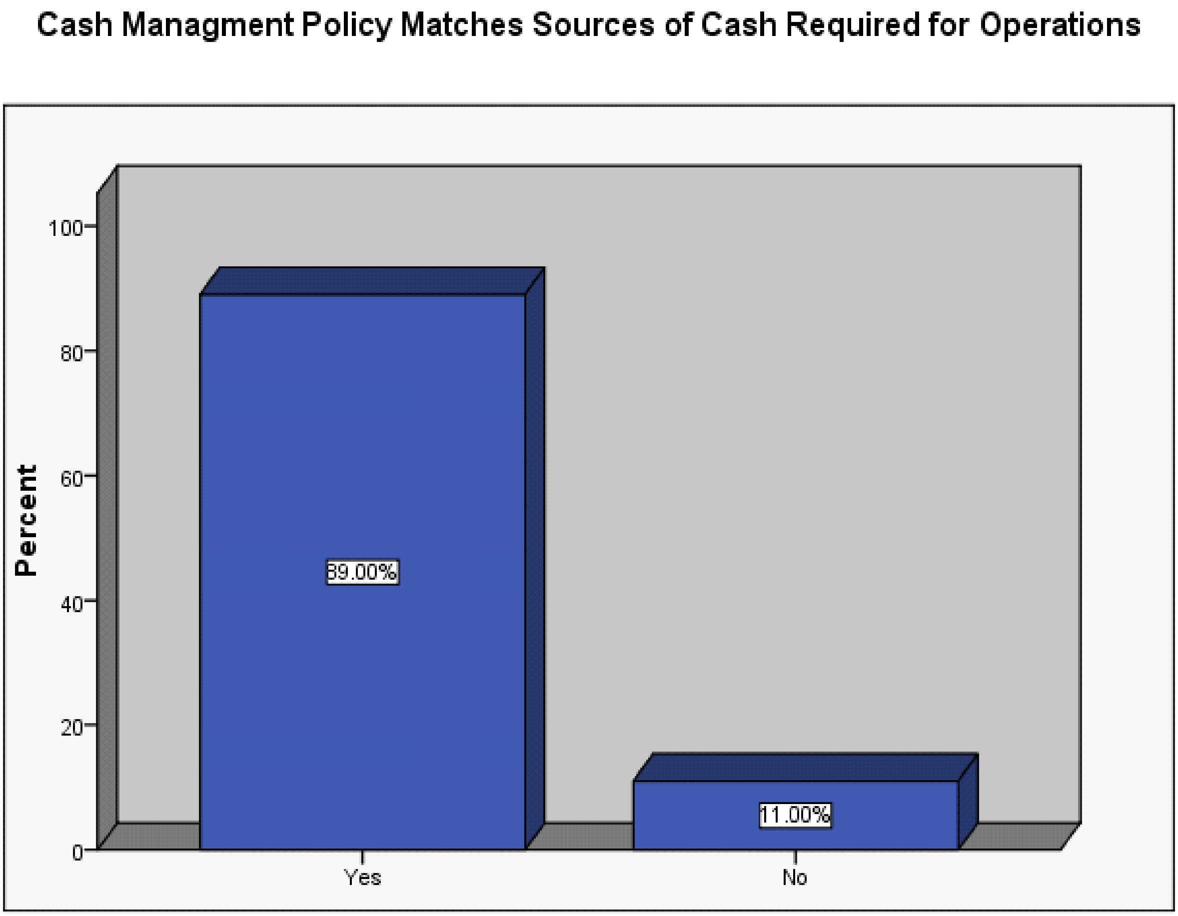
**Figure 4.0: Firms with Cash Management Policy**




SOURCE: Researcher's Survey Data (2015)

The figure above illustrates responses on the question; whether the firm has a clear-cut cash management policy to guide its operations. Here, it came up that 90 percent of the firms sampled have clear-cut cash management policy guiding its operations on the market, according to the data gathered. This gives the study a good grounds to proceed from, given the fact that majority of respondents were branch and operations managers who are experienced and more knowledgeable in the firms operations. However, 10 percent responded in the negative, may be out of inexperience and ignorance of the firm's core mandate and operational information.

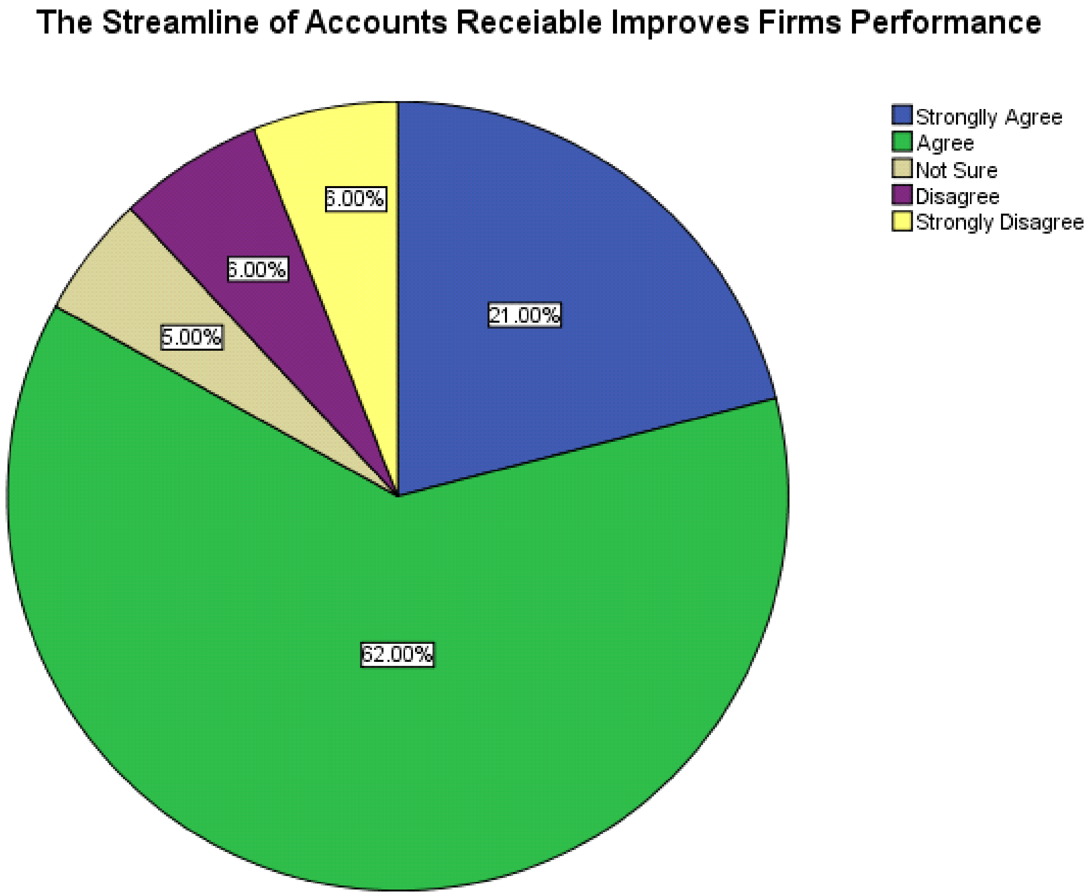
**Figure 4.1: Matching Policy with Operational Requirement**




SOURCE: Researcher's Survey Data (2015)

The figure 4.1, illustrates responses on the question; whether cash management policy of firm matches sources of cash required for operation and here, most of responses were positive. From the data gathered, here, 89 percent of them were responded that cash management policy of the firm matches sources of cash required for their operations and this facilitates planning and setting a SMART targets in a particular unit of the firm. If policy and sources of cash required are unmatched with operations, this can lead to improper planning and insufficient funding for a particular operational unit of the business. However, 11 percent of them responded in the negative manner.

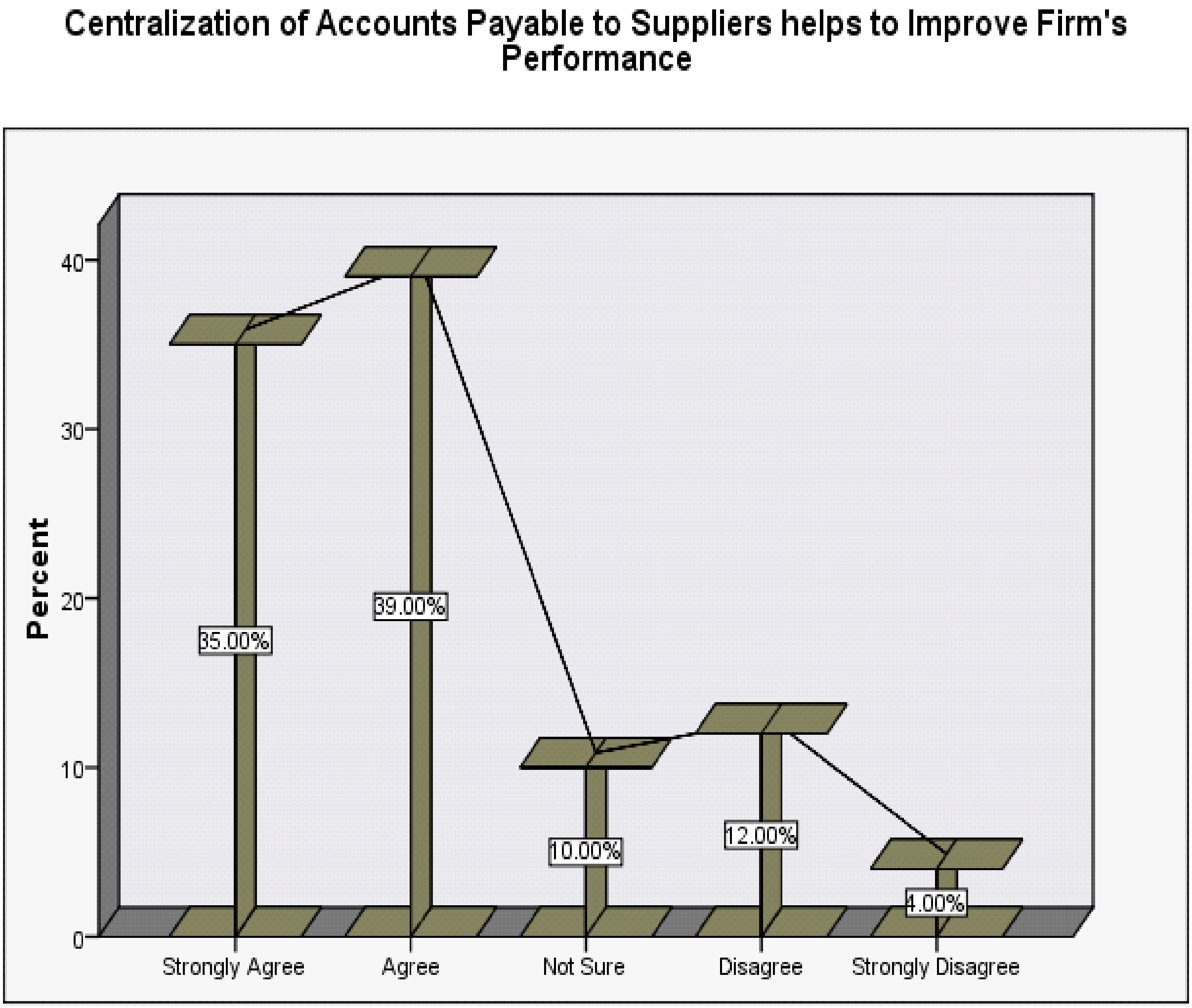
**Figure 4.2: Streamline of Accounts Receivable and Firm's Performance**




SOURCE: Researcher's Survey Data (2015)

The figure above shows responses on the argument whether" streamline of accounts receivable improves firm's performance. Here, it was revealed that 83 percent were of the view that, really, streamline of account receivable helps to improve the performance of the firm. This was made up of 21 percent and 62 percent who strongly agree and agree respectively with this assertion. It was discovered that when accounts receivable are streamlined it facilitates the budgeting and planning process and helps to avoid unnecessary losses. However, 12 percent disagreed with the assertion, this was made up of 6 percent for disagree and 6 percent of strongly disagree; with the argument that the other factors more influence performance rather than accounts receivables. Here, 5 percent of respondents were not able to make any clear stance on the argument.

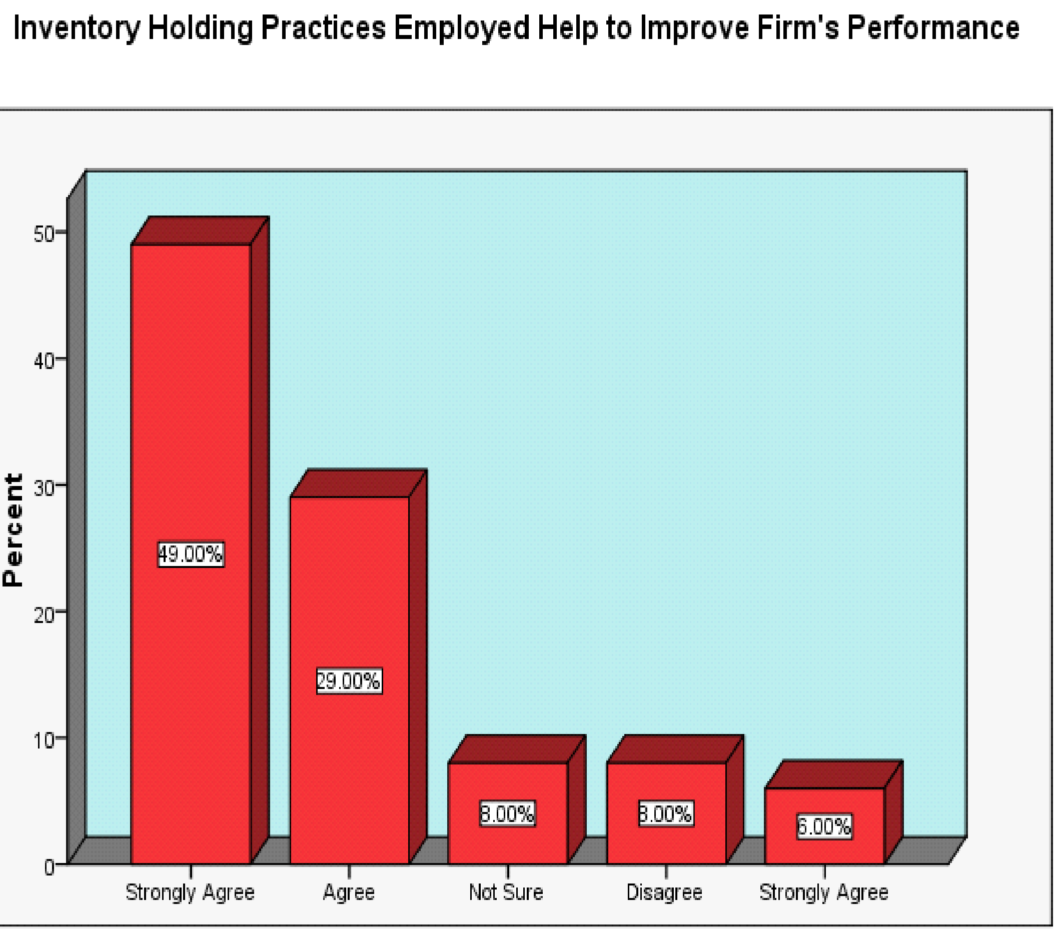
**Figure 4.3: Centralization of Accounts Payable and Performance**




SOURCE: Researcher's Survey Data (2015)

The figure 3 represents the views on centralization of accounts payable to suppliers and how it improves firms performance. Here, it came up that 74 percent agreed with the argument that when account payable are centralized, firm's performance improves as it helps to avoid any reckless payments which have the potential to reduce profitability and solvency of business. This was made up of 35 and 39 of strongly agree and agree respectively. However, 16 percent of respondents disagreed with the assertion, which was made up of 12 percent disagreed and 4 percent strongly disagreeing; merely centralizing payment will not necessarily improve performance. Again, here 10 percent were not able to make any specific stance on the argument

**Figure 4.4: Inventory Practices and Firm's Performance**

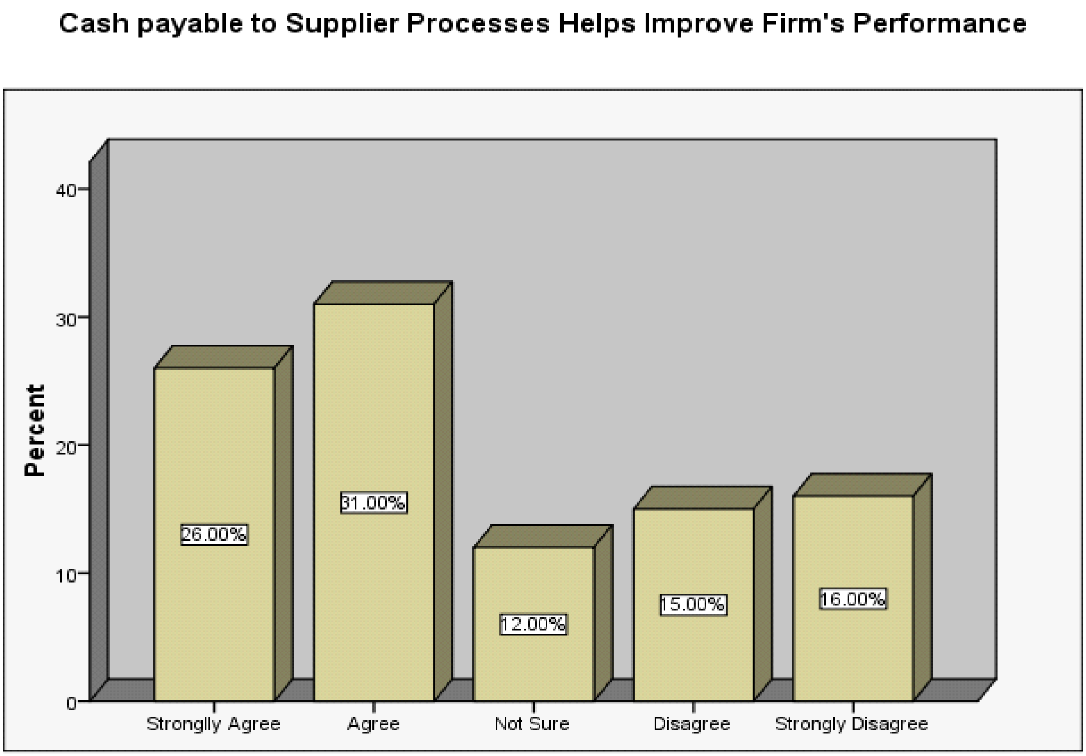



SOURCE: Researcher's Survey Data (2015)

The figure 4 above shows the responses on the argument "whether inventory holding practices employed by the firm helps to improve performance. Inventory management practices concern the fine lines between replenishment lead times, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods, and demand forecasting.

From this figure above, it could be observed that majority of respondents were of the view that when these practices are religiously observed, firm's performance improves, as it helps to avoid waste of resources and produce and supply as and when necessary. Here 78 percent agreed to the assertion. While 14 percent disagreed. However, 8 percent were indifferent with the argument.

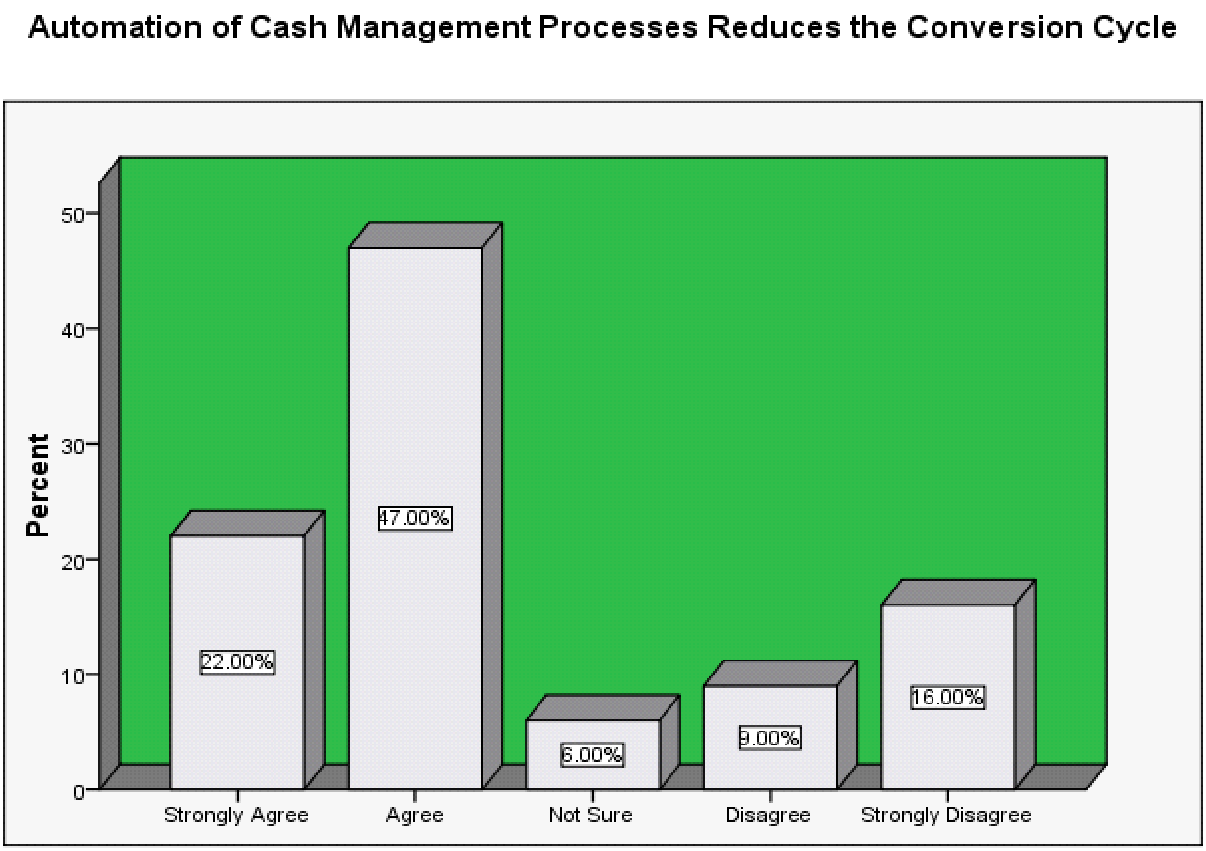
**Figure 4.5 .Suppliers Payment and Firm's Performance**




SOURCE: Researcher's Survey Data (2015)

The figure 5 represents respondents view on the argument that cash payment to suppliers processes employed by the firm will influence the firm's performance. Here, it came up that really cash payment to supplier's processes helps to improve performance. This was made up of 26 and 31 percent strongly agree and agree respectively, with the argument that prompt payment brings cordiality and trust and encourages continuous material supply to customers. However, 15 and 16 percent of respondent were of divergent view. That cash payments to suppliers are not the only incentive to ensure regular supply and improve performance. Again, 12 percent the total respondents were not able to take concrete stance on the argument under consideration.

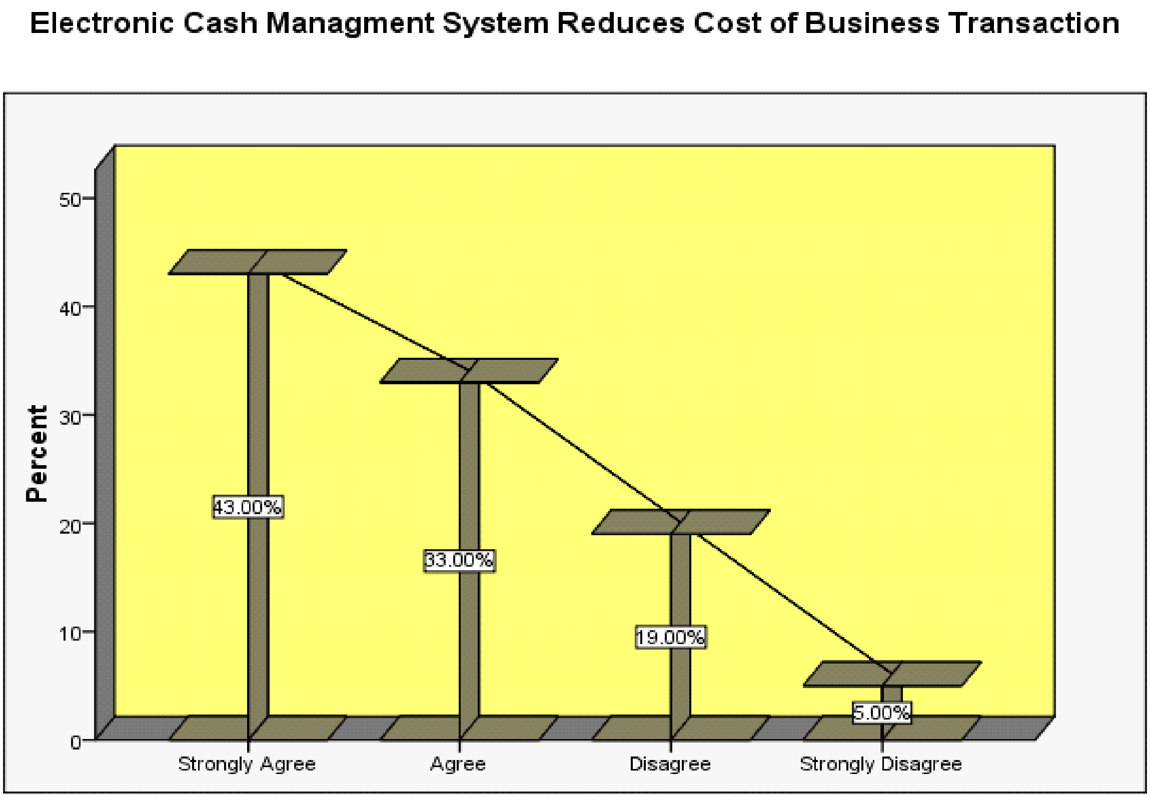
**FIGURE4.6: Automation of Cash Management and Conversion Cycle**




SOURCE: Researcher's Survey Data (2015)

The figure above shows illustrates the respondents view on the argument that automation of the cash management processes reduces the conversion cycle and improve firm's performance. Here, it was revealed that truly this helps to improve firm's performance, with argument that system automation reduces human errors and ensures effective and efficient operation. 69 percent of the respondents responded in the affirmative. This was made up of 22 and 47 percent strongly agree and agree respectively, on the contrary, 25 percent responded in the negative, with 9 and 16 percent disagree and strongly disagree respectively , also with the argument that automation will not always ensure efficiency due to systems failure. However, 5 percent were not able to declare their stance on the issue under consideration.

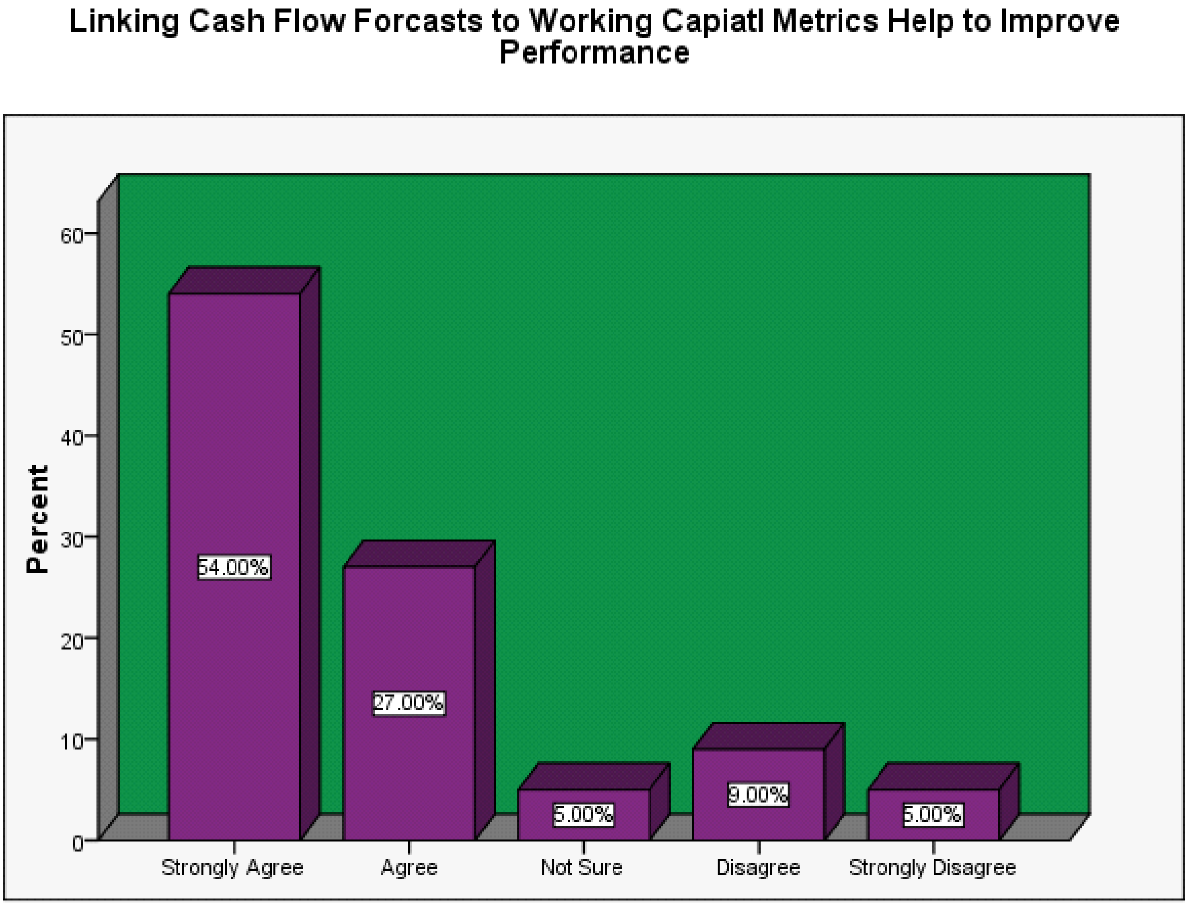
**Figure 4.7: Electronic Systems and Cost of Business Transactions**




SOURCE: Researcher’s Survey Data (2015)

The figure above illustrates the responses on the question whether the electronic cash management system reduces cost of transaction and improves profit levels. Here, it could be observed that 76 percent agreed to the assertion. This question item is analogous to the earlier one just to help ascertain management view on the automation of cash management practices in the various firms. Majority of both responses were positive. But here all respondents were able to take concrete stance on the argument. However, 19 and 5 percent disagreed and strongly disagreed respectively with the assertion citing same argument of systems administration failures.

**Figure 4.8: Cash Flow Forecast, Working Capital and Performance.**

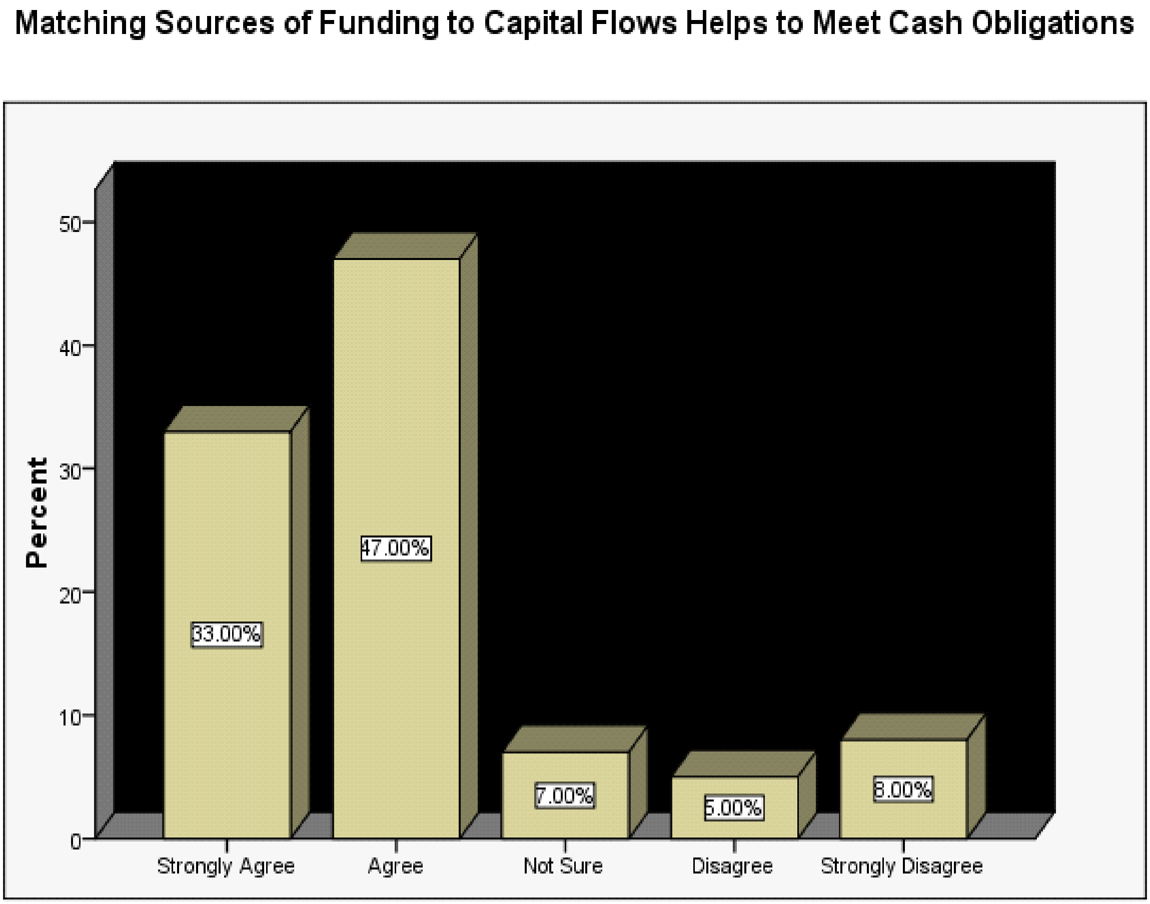



SOURCE: Researcher's Survey Data (2015)

The figure 8 above shows examined respondents view on how linking the cash flow forecast to working capital metrics (DIO, DSO, and DPO) influencing firm's performance on the market.

From the diagram, it could be observed that majority of respondents agreed with the assertion. Here, 81 percent agreed; this was made up of 54 and 27 percent strongly agree and agree respectively cash flow forecast and working capital metrics helps to keep optimal balance for firm's operations and improve firm's performance. However, 14 percent disagreed with the assertion, which was made up of 9 and 5 percent disagree and strongly disagree. Again, 5 percent of the total respondents were indifferent.

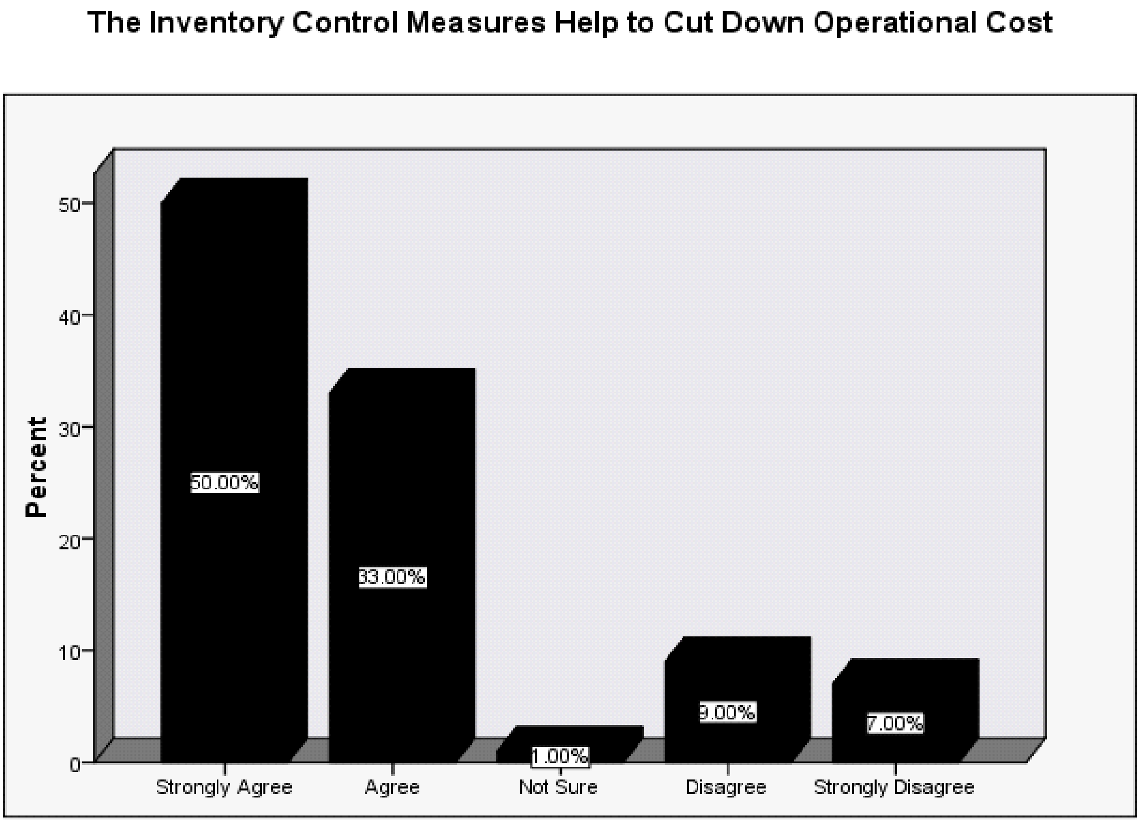
**Figure 4.9: Sources of Funding and Cash Obligation of Firm**




SOURCE: Researcher's Survey Data (2015).

The figure 9 above illustrates how responses where gathered for the question matching sources of funding to capital flows help firms to meet their cash obligations. With this, 80 percent of respondents answered in the positive, this helps to monitor levels of cash flows and adjust accordingly to cash obligations at any level of the firm's operations. This was made up of 33 and 47 percent strongly agree and agree respectively. Here, 7 percent were not sure of their stance on the argument. However, 13 percent where of dissenting view. This was made up of 5 and 8 percent disagree and strongly disagree respectively, arguing that firms ability to meet cash obligations heavily depends on the exercise of financial prudence.

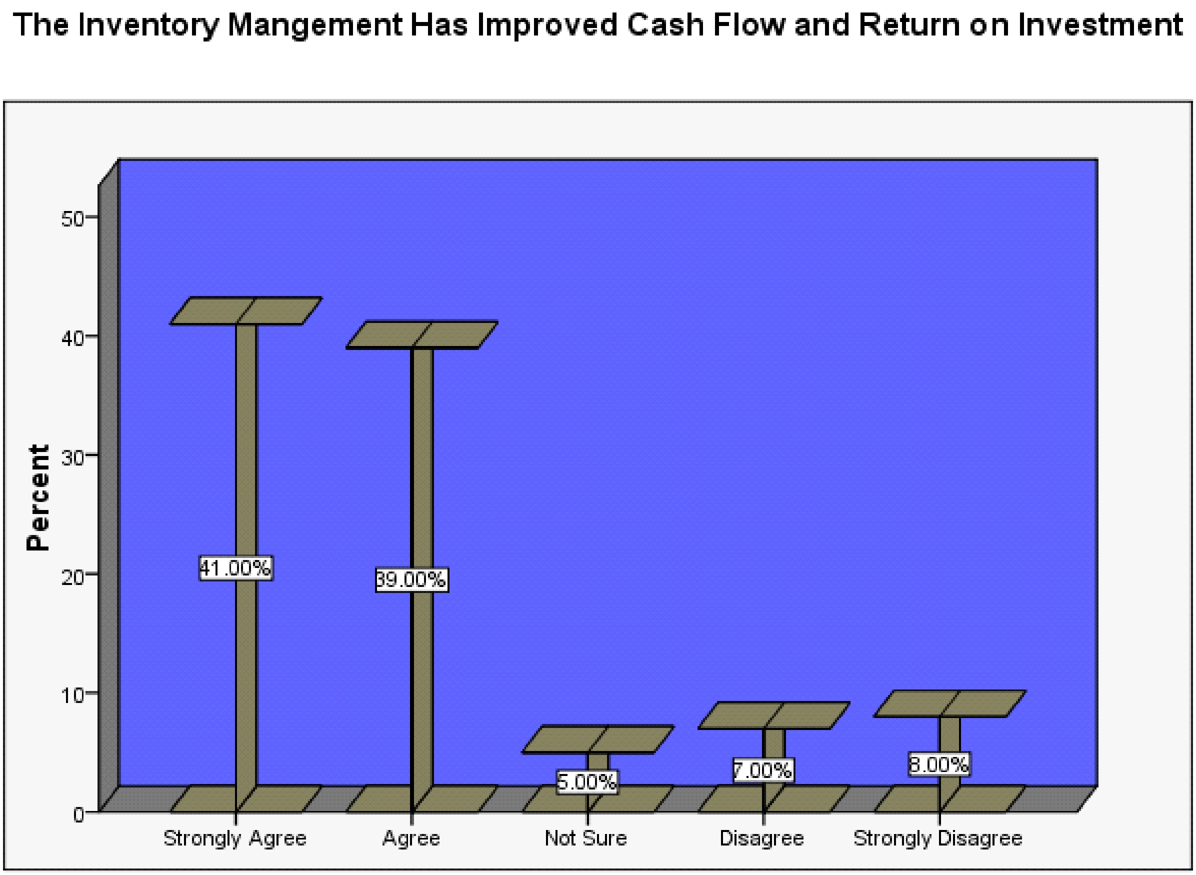
**Figure 4.10: Inventory Control Measures and Operational Cost.**




SOURCE: Researcher's Survey Data (2015.)

The figure above shows illustrates how inventory control measure outlined earlier under figure 4.4. Here, it could be observed that 83 percent of the respondent were of the view that these inventory control measure help cut down operational cost and improve profit level of business, arguing on the line that it helps to avoid waist and produce and supply as or pace order as and when necessary. This was made up of 50 and 33 percent strongly agree and agree respectively. Here, 1 percent was not able to take any stance. Again, 16 percent were of different view; this was made up of 9 and 7 percent disagree and strongly disagree respectively.

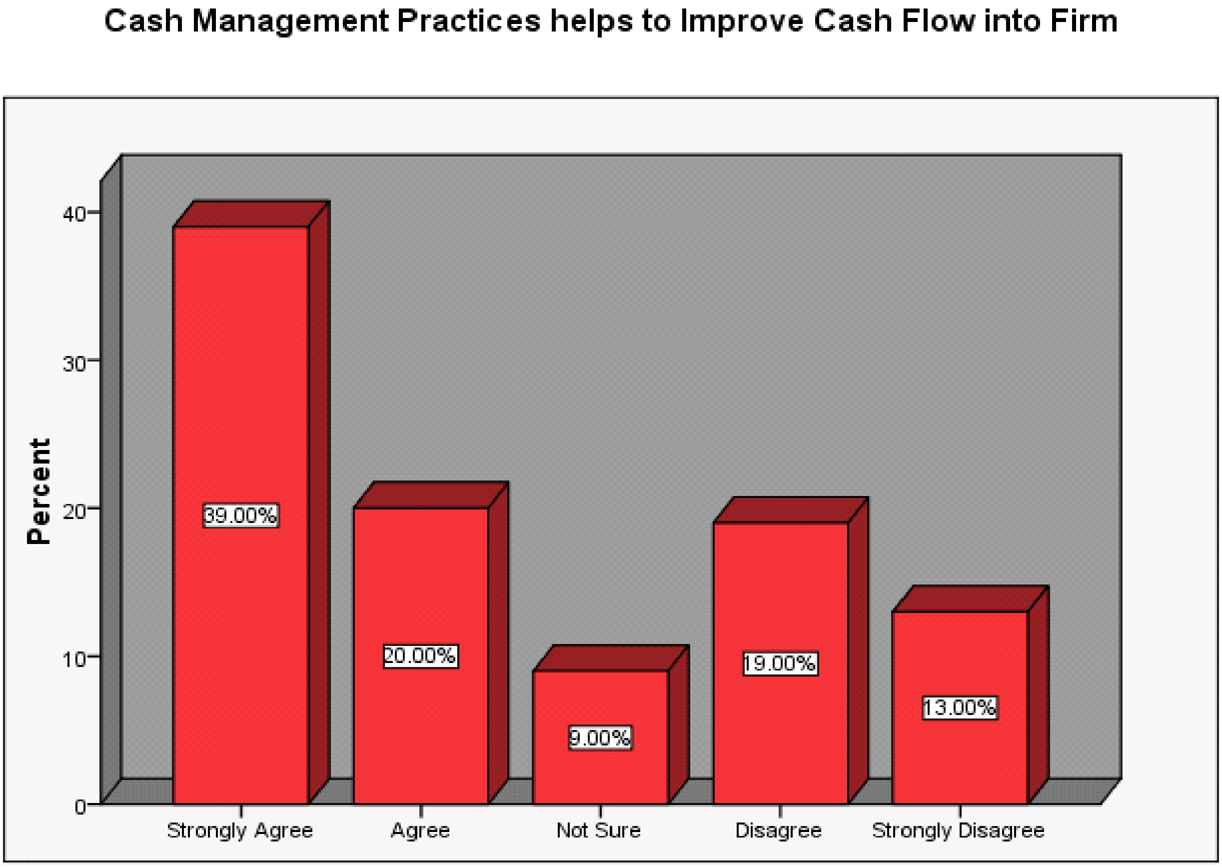
**Figure 4.11: Inventory, Cash Flow and Return on Investment**




SOURCE: Researcher's Survey Data (2015.)

Figure 4.11 illustrates how inventory management has improved on companies cash flow and returns on investment of the selected firms. It was revealed that 80 percent agreed with the argument that inventory management has improved the firm's performance; this was made up of 41 and 39 percent of strongly agree and agree respectively. Here, 5 percent were unable to take any concrete stance on the matter under consideration. However, 15 percent where of a dissenting view; 7 and 8 percent disagreed and strongly disagreed with the statement.

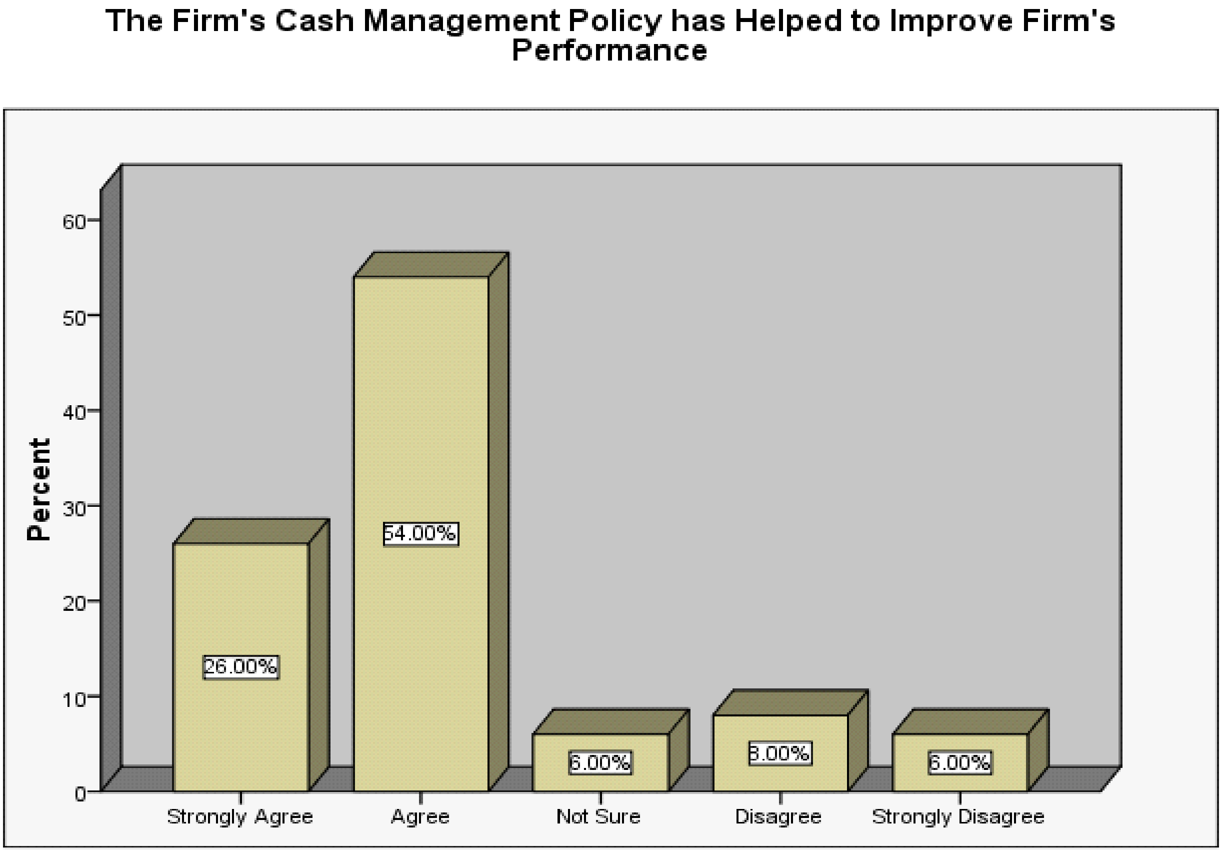
**Figure 4.12: Cash Management Practices and Firm's Cash Flow**




SOURCE: Researcher's Survey Data (2015.)

Figure 4.12 above show respondent's view on whether cash flow into the enterprise frequently due to cash management policy observed by the firm. From the diagram above it could be observed that majority of the respondents agreed with the statement. 50 percent answered in the positive. Consisting of 39 and 20 percent respectively. Here, 9 percent were not able to take any stance. However, 19 and 13, percent of respondent disagree and strongly disagree respectively, with the argument that the influence may not be as frequent as agreed by others.

**Figure 4.13: Cash Management Policy and Firm's Performance**

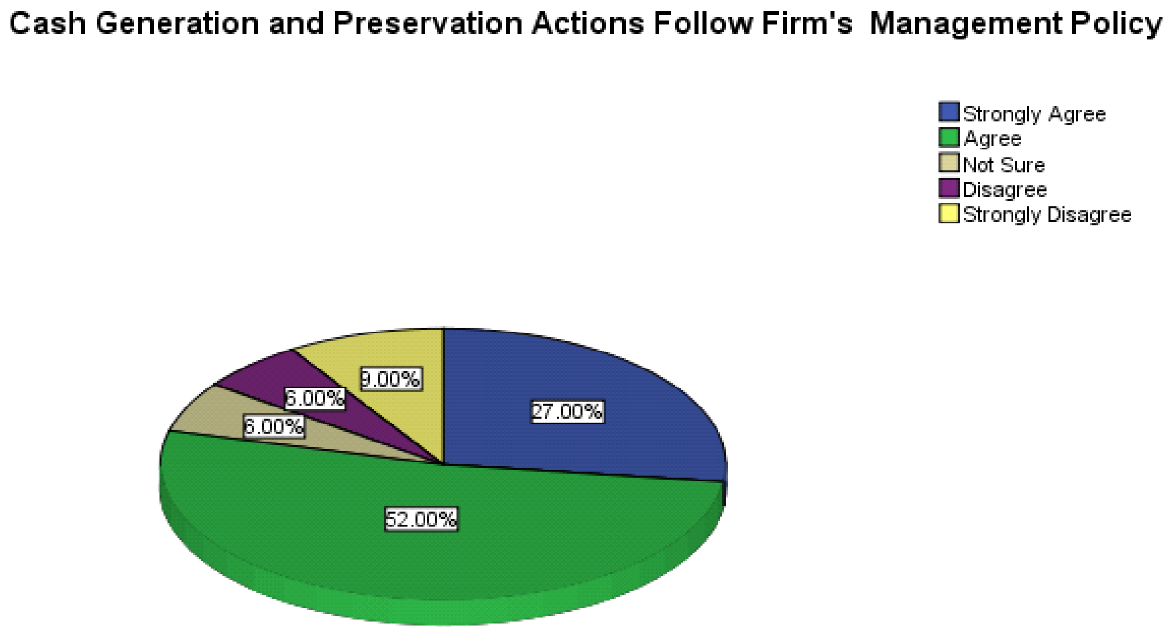



SOURCE: Researcher's Survey Data (2015.)

The figure above illustrates respondents overall assessment of their cash policies on the performance of their businesses. From the diagram above, it could be observed that majority of the respondents agreed to the fact that firms with clear cut cash management policies helps to improve on the firm's performance, with the argument that it helps to exercise financial prudence , reduce cost and improve profit level. Here, 80 percent agreed with the assertion. This was made up of 26 and 54 percent of strongly agree and agree. But 6 percent were not

able to take any solid stance on the matter under consideration. On the contrary, 14 percent disagreed; with 8 and 6 percent disagree and strongly disagree respectively.

**Figure 4.14: Cash Generation, Preservation and Management Policy**




SOURCE: Researcher's Survey Data (2015.)

Figure 4.13, illustrates respondents view on whether cash generation and preservation actions of management always follow cash management policies of the firm. Here, it came up that firms with clear-cut cash management policies will always follow this in their line of operation. The chart illustrates that 79 percent agreed with the statement, based on their experiences with their respective firms; this was made up of 27 and 52 percent strongly agree and agree respectively. However, 15 percent disagreed, with 9 and 6 percent disagree and strongly disagree respectively, may be this was as a results of insufficient information on firm's operations.

# CHAPTER FIVE

# SUMMARY OF MAJOR FINDINGS AND POLICY RECOMMENDATION

## 5.0 Introduction

This chapter summarizes the results of the study and explains any conclusions that have resulted from the statistical analysis of the data. It cites and explains any shortcoming of the study. Recommendations and policy implications resulting from the study and suggestions for further research studies on the subject investigated.

## 5.1 Summary of Major Findings:

- The study conducted in relation to cash management policies and firm's performance revealed that the selected firms for the study has clear-cut cash management policies to guide its operations, and here, 90% of the respondents confirmed of having such policy.
- The survey also revealed that the firm's ability to match cash management policy with operational requirement, streamline and centralize firm's accounts and inventory control practices helps to improve firm's performance, here, 83%, 74% and 78% agreed to the assertion respectively, this finding confirms the findings of Matthew Abioro (2013) who conducted a study in Nigeria on the topic" The impact of cash management on the performance of manufacturing companies in Nigeria.
- The study too revealed so as to the automation of cash management processes through the electronic system and ability to link cash flow to the working capital help to reduce the cash conversion cycle and transaction cost of business and eventually improve profit levels of businesses. 69% agreed it reduces the cash conversion cycle, while 76% asserted it helps to reduce the transaction cost of business.

- Again, it came up that the ability to match funding sources to cash flow and adhering to best practices with inventory control, helps to meet cash obligation and improves returns on investment. Here, about 80% of the respondents agreed with this statement. The findings corroborates James R. Kroes and Andrew S. Manikas (2014) study on the topic" Cash Flow Management and Manufacturing Firm Financial Performance: A Longitudinal Perspective that match funding sources to cash flow and adhering to best practices with inventory control, helps to improve firm's performance.
- Firms with clear-cut cash management policy religiously follow the best practices with cash generation and preservation and here, 79% of the sampled population agreed to the argument advanced.

**5.2 Conclusion**

The study set out to investigate the effect of cash management policies on firm's performance with a case study of some selected companies in Ghana, by employing both qualitative and ratios analysis approach for the study.

The study can conclude that cash management policies that reduces operating expenses and the general administrative expenditures helps to improve financial position of the firms.

Again, according to the study conducted, centralization and streamline of company account receivable, accounts payable, inventory holdings and cash payment to supplier processes helps to reduces inconsistencies in business operations and improves performance in the long run.

The automation of cash management process using the electronic system reduces the conversion cycle and cost of business transaction and improves the profit levels of businesses.

Matching sources of funding to capital flow ensures that the profitable business units have sufficient capital for their operations.

**5.3 Policy Recommendation:**

- The study recommends that firms must put all the necessary mechanisms in place to reduce its operating cost, by reducing waiting and delivery time, encouraging prompt debt payment using discount for customers, collecting accounts receivable as promptly as they can without letting go of sales as a result of grand pressure collection methods. This will help increase volumes of transactions; improve profit levels and the general financial position of the firm. According to Geroski (1998) and Tybout (2000), gross profit, owners and clients' satisfaction are the major financial and non-financial determinants of firm's performance in any business environment.
- The study recommends that firms must learn to centralize and streamline company account receivable, accounts payable, inventory holdings; this will help to reduce inconsistencies in business operations and improves performance in the long run form in order to remain competitive on the market.
- The study again, recommends that efforts and mechanisms must be put to ensure the automation of cash management process using the electronic system, this will help to reduce the conversion cycle and cost of business transaction and improve the profit levels of businesses due to competitive pricing and increase volumes of transaction.

- .Matching sources of funding to capital flow ensure that it is only the profitable business entities/units have sufficient capital for their operations. It is therefore recommended that companies must take steps to always match their sources of funding to the capital flow, to avoid insufficient funding to their profitable units/entities, which have the potential to negatively affect growth of business
- Companies with cash management policies must follow this in the area of cash generation and preservation actions of the company, this will help avoid wasteful expenditures and make the firm more solvent in its financial matters.

## 5.4 Limitation to the Study

This study did not use the quantitative/parametric methodology, which could have helped to examine the statistical significance / properties of the sample responses revealed in the survey, as outlined by Matthew Abioro, (2013).

Respondents were in certain institutions reluctant to help complete questionnaires with the notion that the information given may expose their business activities to regulatory authorities and competitors which may not auger well for their businesses corporate aims and objectives.

Financial constraint and means of transport were some main challenges faced during this study, there was no enough money to get transport to all companies which were in the area of the study.

Time constraint was also a major challenge during the study.

## 5.5 Suggestion for Further Research

The study suggests that further survey should be conducted into how risk characteristics of clients and information asymmetry affects firm's performance using quantitative parametric analysis.

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# APPENDICS

## APPENDIX I

**Sample Questionnaire**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ART AND SOCIAL SCIENCES**

**SCHOOL OF BUSINESS ADMINISTRATION**

**(DEPARTMENT OF ACCOUNTING AND FINANCE)**

**<u>QUESTIONNAIRE</u>**

**THE IMPACT OF CASH MANAGEMENT POLICY ON FIRMS PERFORMANCE IN GHANA.**

**(A Case Study of Selected listed Firms on the Ghana Stock Exchange).**

***This research is being conducted in partial fulfilment of the requirements for the award of Master in Business Administration degree (KNUST School of Business). All information received would be used only for academic purposes and treated with strict confidentiality. Please t √ n the box where appropriate .You may also be required to complete the open ended questions in the spaces provided. Thank you***.

**SECTION A.** ***DEMOGRAPHICS***

1) Age a) 18- 30 b) 31 - 40 c) 41 -50 d) 51-60

2) Level of Education) None b) Basic c) Secondary d) Tertiary

3) Status in the Firm ……………………………………….

4) Years of experience in the firm …………………………

**SECTION B. PERFORMANCE OF FIRMS**

***This section evaluates the cash management policies on firm's performance. Please indicate your level of agreement or disagreement with the following statements by ticking the appropriate box against each question using YES or NO and the Likert-Scale provided.***

5) Does the firm has cash management policy in place to guide business operations?

- YES a) =1 b) NO = 0

6) If **YES,** has this been matched with corresponding sources of the required cash for firm's operations? a) YES =1 b) NO = 0

| NO | ITEMS | Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|---|---|---|---|---|---|---|
| 7 | The Streamline of accounts receivable improves firm's performance | | | | | |
| 8 | Centralization of accounts payable to supplier management processes improves performance | | | | | |
| 9 | Inventory holdings practices employed helps to improve firm's performance | | | | | |
| 10 | Cash payment to supplier processes helps to improve the performance of firm. | | | | | |
| 11 | Automation of the cash management processes reduces the conversion cycle | | | | | |
| 12 | Using the electronic system of cash management reduces the cost of business transaction | | | | | |
| 13 | Linking the cash flow forecasts to | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | working capital metrics (DIO, DSO, DPO), improves the firm's performance. | | | | | |
| 14 | Matching sources of funding to capital flows helps firms to meet cash obligations | | | | | |
| 15 | The inventory control measures have helped in cutting down operational costs. | | | | | |
| 16 | Inventory management has improved on the company's cash flow and return on investments. | | | | | |
| 17 | Cash flow around the enterprise frequently due the management policy of the firm | | | | | |
| 18 | The overall impact of your cash management policy has helped improve the performance of the firm | | | | | |
| 19 | Cash generation and preservation actions of management always follow cash management policies of the firm. | | | | | |

20) Any additional information or comments that could be of help to this study based on the topic provided could be supplied below.

…………………………………………………………………………………………

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…………………………………………………………………………………………

**THANK YOU.**

# APPENDIX II

**Tables**

| Age | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 18-30 years | 11 | 11.0 | 11.0 | 11.0 |
| | 31-40 years | 13 | 13.0 | 13.0 | 24.0 |
| | 41-50 years | 52 | 52.0 | 52.0 | 76.0 |
| | 51-60 years | 21 | 21.0 | 21.0 | 97.0 |
| | 61 and Above | 3 | 3.0 | 3.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Level of Education | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | None | 4 | 4.0 | 4.0 | 4.0 |
| | Basic | 17 | 17.0 | 17.0 | 21.0 |
| | Secondary | 17 | 17.0 | 17.0 | 38.0 |
| | Tertiary | 62 | 62.0 | 62.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Status in firm | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Branch Manager | 38 | 38.0 | 38.0 | 38.0 |
| | Purchasing clerk | 15 | 15.0 | 15.0 | 53.0 |
| | Relations Officer | 4 | 4.0 | 4.0 | 57.0 |
| | Operations Manager | 30 | 30.0 | 30.0 | 87.0 |
| | Customer Service Officer | 4 | 4.0 | 4.0 | 91.0 |
| | Cashier | 9 | 9.0 | 9.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Years of Experience with Firm | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | < One Year | 18 | 18.0 | 18.0 | 18.0 |
| | One - Two years | 16 | 16.0 | 16.0 | 34.0 |
| | Two - Five years | 31 | 31.0 | 31.0 | 65.0 |
| | Five - Ten years | 26 | 26.0 | 26.0 | 91.0 |
| | > Ten years | 9 | 9.0 | 9.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Firm Has Clear Cash Management Policy | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 90 | 90.0 | 90.0 | 90.0 |
| | No | 10 | 10.0 | 10.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Cash Management Policy Matches Sources of Cash Required for Operations | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Yes | 89 | 89.0 | 89.0 | 89.0 |
| | No | 11 | 11.0 | 11.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| The Streamline of Accounts Receivable Improves Firms Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 21 | 21.0 | 21.0 | 21.0 |
| | Agree | 62 | 62.0 | 62.0 | 83.0 |
| | Not Sure | 5 | 5.0 | 5.0 | 88.0 |
| | Disagree | 6 | 6.0 | 6.0 | 94.0 |
| | Strongly Disagree | 6 | 6.0 | 6.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Centralization of Accounts Payable to Suppliers helps to Improve Firm's Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 35 | 35.0 | 35.0 | 35.0 |
| | Agree | 39 | 39.0 | 39.0 | 74.0 |
| | Not Sure | 10 | 10.0 | 10.0 | 84.0 |
| | Disagree | 12 | 12.0 | 12.0 | 96.0 |
| | Strongly Disagree | 4 | 4.0 | 4.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Inventory Holding Practices Employed Help to Improve Firm's Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 49 | 49.0 | 49.0 | 49.0 |
| | Agree | 29 | 29.0 | 29.0 | 78.0 |
| | Not Sure | 8 | 8.0 | 8.0 | 86.0 |
| | Disagree | 8 | 8.0 | 8.0 | 94.0 |
| | Strongly Agree | 6 | 6.0 | 6.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Cash payable to Supplier Processes Helps Improve Firm's Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 26 | 26.0 | 26.0 | 26.0 |
| | Agree | 31 | 31.0 | 31.0 | 57.0 |
| | Not Sure | 12 | 12.0 | 12.0 | 69.0 |
| | Disagree | 15 | 15.0 | 15.0 | 84.0 |
| | Strongly Disagree | 16 | 16.0 | 16.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Automation of Cash Management Processes Reduces the Conversion Cycle | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 22 | 22.0 | 22.0 | 22.0 |
| | Agree | 47 | 47.0 | 47.0 | 69.0 |
| | Not Sure | 6 | 6.0 | 6.0 | 75.0 |
| | Disagree | 9 | 9.0 | 9.0 | 84.0 |
| | Strongly Disagree | 16 | 16.0 | 16.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Electronic Cash Management System Reduces Cost of Business Transaction | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 43 | 43.0 | 43.0 | 43.0 |
| | Agree | 33 | 33.0 | 33.0 | 76.0 |
| | Disagree | 19 | 19.0 | 19.0 | 95.0 |
| | Strongly Disagree | 5 | 5.0 | 5.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Linking Cash Flow Forecasts to Working Capital Metrics Help to Improve Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 54 | 54.0 | 54.0 | 54.0 |
| | Agree | 27 | 27.0 | 27.0 | 81.0 |
| | Not Sure | 5 | 5.0 | 5.0 | 86.0 |
| | Disagree | 9 | 9.0 | 9.0 | 95.0 |
| | Strongly Disagree | 5 | 5.0 | 5.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Matching Sources of Funding to Capital Flows Helps to Meet Cash Obligations | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 33 | 33.0 | 33.0 | 33.0 |
| | Agree | 47 | 47.0 | 47.0 | 80.0 |
| | Not Sure | 7 | 7.0 | 7.0 | 87.0 |
| | Disagree | 5 | 5.0 | 5.0 | 92.0 |
| | Strongly Disagree | 8 | 8.0 | 8.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| The Inventory Control Measures Help to Cut Down Operational Cost | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 50 | 50.0 | 50.0 | 50.0 |
| | Agree | 33 | 33.0 | 33.0 | 83.0 |
| | Not Sure | 1 | 1.0 | 1.0 | 84.0 |
| | Disagree | 9 | 9.0 | 9.0 | 93.0 |
| | Strongly Disagree | 7 | 7.0 | 7.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| The Inventory Management Has Improved Cash Flow and Return on Investment | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 41 | 41.0 | 41.0 | 41.0 |
| | Agree | 39 | 39.0 | 39.0 | 80.0 |
| | Not Sure | 5 | 5.0 | 5.0 | 85.0 |
| | Disagree | 7 | 7.0 | 7.0 | 92.0 |
| | Strongly Disagree | 8 | 8.0 | 8.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Cash Management Practices helps to Improve Cash Flow into Firm | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 39 | 39.0 | 39.0 | 39.0 |
| | Agree | 20 | 20.0 | 20.0 | 59.0 |
| | Not Sure | 9 | 9.0 | 9.0 | 68.0 |
| | Disagree | 19 | 19.0 | 19.0 | 87.0 |
| | Strongly Disagree | 13 | 13.0 | 13.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| The Firm's Cash Management Policy has Helped to Improve Firm's Performance | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 26 | 26.0 | 26.0 | 26.0 |
| | Agree | 54 | 54.0 | 54.0 | 80.0 |
| | Not Sure | 6 | 6.0 | 6.0 | 86.0 |
| | Disagree | 8 | 8.0 | 8.0 | 94.0 |
| | Strongly Disagree | 6 | 6.0 | 6.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

| Cash Generation and Preservation Actions Follow Firm's Management Policy | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Strongly Agree | 27 | 27.0 | 27.0 | 27.0 |
| | Agree | 52 | 52.0 | 52.0 | 79.0 |
| | Not Sure | 6 | 6.0 | 6.0 | 85.0 |
| | Disagree | 6 | 6.0 | 6.0 | 91.0 |
| | Strongly Disagree | 9 | 9.0 | 9.0 | 100.0 |
| | Total | 100 | 100.0 | 100.0 | |

## APPENDIX III

# RATIOS ANALYSIS

### PROFITABILITY RATIO ANALYSIS

| RATIOS | PRODUCE BUYING COMPANY | |
|---|---|---|
| | 2013 | 2012 |
| 1.Gross Profit Margin = $\frac{Gross\ Profit}{Sales/Revenue} \times 100$ | $\frac{119907668 \times}{1123237029}$ 10.6% | $\frac{131136390 \times 100}{1162927098}$ 11.3% |
| 2. Net Profit Margin = $\frac{Net\ Profit\ \times 100}{Sales/Revenue}$ | $\frac{41100806 \times 100}{1123237029}$ <u>3.7%</u> | $\frac{60899390 \times 100}{1162927098}$ <u>5.2%</u> |
| 3. Return on Capital Employed = $\frac{Net\ Profit\ \times 100}{Capital\ Employed}$ | $\frac{41100806 \times 100}{326819653}$ <u>12.6%</u> | $\frac{60899390 \times 100}{289272075}$ <u>21%</u> |

| RATIOS | UNILEVER GHANA LIMITED | |
|---|---|---|
| | 2013 | 2012 |
| 1.Gross Profit Margin = $\frac{Gross\ Profit}{Sales/Revenue} \times 100$ | $\frac{86604 \times 100}{323407}$ 26.8% | $\frac{65677 \times 100}{282138}$ 23.3% |
| 2. Net Profit Margin = $\frac{Net\ Profit\ \times 100}{Sales/Revenue}$ | $\frac{20615 \times 100}{323407}$ <u>6.4%</u> | $\frac{20578 \times 100}{282/38}$ <u>7.3%</u> |
| 3. Return on Capital Employed = $\frac{Net\ Profit\ \times 100}{Capital\ Employed}$ | $\frac{20615 \times 100}{41203}$ <u>50%</u> | $\frac{20578 \times 100}{38382}$ <u>54%</u> |

| **RATIOS** | **GHANA OIL COMPANY LIMITED** | |
|---|---|---|
| | **2013** | **2012** |
| **1.Gross Profit Margin =** $\frac{Gross\ Profit}{Sales/Revenue} \times 100$ | $\frac{56123280 \times 100}{1005627497}$ **5.6%** | $\frac{45017400 \times 100}{791327478}$ **5.7%** |
| **2. Net Profit Margin =** $\frac{Net\ Profit\ \times 100}{Sales/Revenue}$ | $\frac{18776147 \times 100}{1005127497}$ **1.9%** | $\frac{14790782 \times 100}{791327478}$ **1.9%** |
| **3. Return on Capital Employed =** $\frac{Net\ Profit\ \times 100}{Capital\ Employed}$ | $\frac{18588257 \times 100}{221943609}$ **8.4%** | $\frac{14190078 \times 100}{163790721}$ **8.7%** |

## LIQUIDITY RATIOS ANALYSIS

| RATIOS | PRODUCE BUYING COMPANY | |
|---|---|---|
| 1.Current Ratio = $\frac{current\ Asset:}{Current\ Liabilities}$ | 2013<br>$\frac{241042537:1}{269477124}$<br>**0.9:1** | 2012<br>$\frac{231509256:1}{222236267}$<br>**1:1** |
| 2. Acid Test Ratio =<br>$\frac{Current\ Asset - stock: 1}{Current\ liabities}$ | $\frac{241042537 - 56914785}{269477124}$<br>**0.7:1** | $\frac{231509256 - 717706756}{222236267}$<br>**0.7:1** |
| 3. Working Capital =<br>$\underline{Current\ Assets - Current\ liabilities}$ | 241042537 -269477124<br>=28434587 | 231509256 –2222362667<br>=9272989 |

| RATIOS | UNILEVER GHANA LIMITED | |
|---|---|---|
| 1.Current Ratio = $\frac{current\ Asset:}{Current\ Liabilities}$ | $\frac{121446:1}{150920}$ <br> 0.8:1 | $\frac{97850:1}{115330}$ <br> 0.8:1 |
| 2. Acid Test Ratio = $\frac{Current\ Asset - stock:1}{Current\ liabities}$ | $\frac{121446 - 48929:1}{150920}$ <br> 0.5:1 | $\frac{97850 - 32576:1}{115330}$ <br> 0.6:1 |
| 3. Working Capital = $\underline{Current\ Assets - Current\ liabilities}$ | 121446-150920 <br> (29474) | 97850-115330 <br> (17480) |
| **RATIOS** | **GHANA OIL LIMITED** | |
| 1.Current Ratio = $\frac{current\ Asset:}{Current\ Liabilities}$ | $\frac{139319428:1}{152451143}$ <br> 0.9:1 | $\frac{110569123:1}{105871475}$ <br> 1:1 |
| 2. Acid Test Ratio = $\frac{Current\ Asset - stock:1}{Current\ liabities}$ | $\frac{139319428 - 1708529:1}{152451143}$ <br> 0.9:1 | $\frac{112569123 - 12375835:1}{105871475}$ <br> 0.95:1 |
| 3. Working Capital = $\underline{Current\ Assets - Current\ liabilities}$ | 139319428-152451143 <br> (13131715) | 112569123-05871475 <br> 6697648 |

**SOURCE : G S E DATA; Researcher's Computations (2015).**

## ACTIVITY RATIOS

| RATIOS | PRODUCE BUYING COMPANY | |
|---|---|---|
| **1. Sales to Capital Employed =** $\frac{Net\ sales}{capital\ Employed}$ : 1 | **2013** $\frac{1123237029}{326819653}$ : 1 <br> 3 • 4 : 1 | **2012** $\frac{1162927098}{289272075}$ : 1 <br> 4 : 1 |
| **2. Sales to Fixed Asset** $\frac{Net\ Sales}{Total\ Fixed\ Asset}$ : 1 | $\frac{1123237029}{85777116}$ : 1 <br> 13: 1 | $\frac{1162927098}{57762809}$ : 1 <br> 20 : 1 |

| RATIOS | UNILEVER GHANA LIMITED | |
|---|---|---|
| **1. Sales to Capital Employed =** $\frac{Net\ sales}{capital\ Employed}$ : 1 | **2013** $\frac{323407}{41203}$ : 1 <br> 7 • 8 : 1 | **2012** $\frac{282138}{38382}$ : 1 <br> 7 • 4 : 1 |
| **2. Sales to Fixed Asset** $\frac{Net\ Sales}{Total\ Fixed\ Asset}$ : 1 | $\frac{323407}{70677}$ : 1 <br> 4 • 6 : 1 | $\frac{282138}{55862}$ : 1 <br> 5 : 1 |

| RATIO | GHANA OIL COMPANY LIMITED | |
|---|---|---|
| **1. Sales to Capital Employed =** $\frac{\textbf{Net sales}}{\textbf{capital Employed}}$ : 1 | **2013** $\frac{1005627497}{221943609}$ : 1 <br> **4 • 5 : 1** | **2012** $\frac{791327478}{163790721}$ : 1 <br> **4 • 8 : 1** |
| **2. Sales to Fixed Asset** $\frac{\textbf{Net Sales}}{\textbf{Total Fixed Asset}}$ : 1 | $\frac{1005627497}{82624181}$ : 1 <br> **12 : 1** | $\frac{791327478}{53221593}$ : 1 <br> **14 • 9 : 1** |

## LEVERAGE RATIOS

| RATIO | PRODUCE BUYING COMPANY | |
|---|---|---|
| 1. Debt Equity Ratio = $\frac{Total\ Debt}{Owners\ Equity}$ : 1 | 2013<br>$\frac{326819653}{39520935}$<br>8 • 3 : 1 | 2012<br>$\frac{289272075}{48916733}$<br>5 • 9 : 1 |
| 2. Interest Cover = $\frac{Profit\ before\ Tax\ \&\ Interest}{Interest\ Charged}$ | $\frac{(10854826)}{2023204}$<br>(5 • 4) Times | $\frac{13725310}{(3652269)}$<br>(4 • 0) Times |
| **RATIO** | **UNILEVER GHANA LIMITED** | |
| 1. Debt Equity Ratio = $\frac{Total\ Debt}{Owners\ Equity}$ : 1 | $\frac{41203}{32629}$<br>1 • 3 : 1 | $\frac{38382}{31768}$<br>1 • 2 : 1 |
| 2. Interest Cover = $\frac{Profit\ before\ Tax\ \&\ Interest}{Interest\ Charged}$ | $\frac{18803}{4730}$<br>4 • 0 Times | $\frac{20758}{4676}$<br>4 • 4 Times |

| RATIO | GHANA OIL COMPANY LIMITED | |
|---|---|---|
| 1. Debt Equity Ratio = $\frac{\textit{Total Debt}}{\textit{Owners Equity}}$ : 1 | $\frac{221943609}{59335050}$ 3 • 7 : 1 | $\frac{163790721}{46974948}$ 3 • 5 : 1 |
| 2. Interest Cover = $\frac{\textit{Profit before Tax \& Interest}}{\textit{Interest Charged}}$ | $\frac{18588257}{4825426}$ 3 • 9 Times | $\frac{14190078}{4788452}$ 3 • 0 Times |

**SOURCE : G S E DATA; Researcher's Computations (2015).**

PKF

Accountants & business advisers

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**
## PBC LIMITED
**ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2013**

**Report on the Financial Statements**

We have audited the accompanying financial statements of PBC Limited which comprise the statement of financial position as of 30th September, 2013 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) Securities and Exchange Commission Regulations, 2003 (LI 1728) and Ghana Stock Exchange Membership Regulations, 1991 (LI 1510) as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not had sight of the Title Deeds for the sheds and buildings ceded to the company by Ghana Cocoa Board as stated in the Company's books to establish the company's ownership of these assets. However as stated in Note 25, the Government has undertaken to ensure that Ghana Cocoa Board takes all steps required of it under the Ceding Agreement of 30th June, 1999 to effectuate the cession of assets to PBC Limited.

***Opinion***

In our opinion, subject to any adjustment that might have been found to be necessary had we been able to satisfy ourselves as to the title deeds referred to above, the financial statements give a true and fair view of the financial position of PBC Limited as of 30th September, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1963 (Act 179), Securities and Exchange Commission Regulations, 2003 (LI 1728) and Ghana Stock Exchange Membership Regulations, 1991 (LI 1510) as amended.

**Report on Other Legal and Regulatory Requirements**

*The Companies Act 1963 (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:*

I Except for the Title Deeds of the sheds and buildings ceded to the company by Ghana Cocoa Board,we have obtained all the information and explanations which to the best of our knowledge and beliefs were necessary for the purpose of our audit.

II In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books, and

III The company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

PKF

……………………………………………….

**Signed by: F. Bruce-Tagoe (ICAG/P/1087)**
**For and on behalf of**
**PKF: (ICAG/F/2013/039)**
**Chartered Accountants**
**Farrar Avenue**
**P. O. Box GP 1219,**
**Accra**

19th December

…………………………………… **2013**

# PBC LIMITED
## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | NOTES | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **Revenue** | *6* | **1,123,237,029** | 1,162,927,098 |
| Cost of Sales | | **(1,011,004,274)** | (1,044,739,602) |
| **Gross Profit** | | **112,232,755** | 118,187,496 |
| Other Income | *8* | **7,674,913** | 12,948,894 |
| Direct Operating Expenses | | **(48,594,404)** | (43,773,858) |
| General and Administrative Expenses | *7* | **(30,212,458)** | (26,463,142) |
| **Operating profit before financing cost** | | **41,100,806** | 60,899,390 |
| Net Finance Expenses | *9* | **(51,955,632)** | (47,174,080) |
| **(Loss)/Profit before Taxation** | | **(10,854,826)** | 13,725,310 |
| Income Tax Expense | *10a* | **2,023,204** | (3,652,269) |
| **(Loss)/Profit for the year transferred to Income Surplus Account** | | **(8,831,622)** | 10,073,041 |
| **Other Comprehensive Income** | | | |
| Available -for-Sale Financial Assets | | **2,400,001** | (370,909) |
| **Total Other Comprehensive Income** | | **2,400,001** | (370,909) |
| **Total Comprehensive Income for the year** | | **(6,431,621)** | 9,702,132 |
| **Basic earning per share (GH¢)** | | **(0.0184)** | 0.0210 |
| **Diluted earning per share (GH¢)** | | **(0.0184)** | 0.0210 |

# PBC LIMITED
## STATEMENT OF FINANCIAL POSITION
### AS AT 30TH SEPTEMBER 2013

| | NOTES | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | *13a* | **81,922,569** | 56,300,525 |
| Intangible assets | *14* | **0** | 7,738 |
| Available for sale financial asset | *12* | **3,854,547** | 1,454,546 |
| **Total non-current assets** | | **85,777,116** | 57,762,809 |
| **Current Assets** | | | |
| Inventories | *15* | **56,914,785** | 71,706,756 |
| Trade and other receivables | *16* | **75,413,854** | 136,786,594 |
| Short term investments | *17* | **99,329,000** | 815,925 |
| Cash and cash equivalents | *18* | **9,384,898** | 22,199,991 |
| **Total current assets** | | **241,042,537** | 231,509,266 |
| **Total assets** | | **326,819,653** | 289,272,075 |
| **Equity** | | | |
| Stated capital | *24a* | **15,000,000** | 15,000,000 |
| Retained earnings | *24c* | **20,896,831** | 32,692,630 |
| Other reserves | *24d* | **3,624,104** | 1,224,103 |
| **Total equity** | | **39,520,935** | 48,916,733 |
| **Non-current liabilities** | | | |
| Deferred tax liability | *11a* | **1,791,969** | 3,815,173 |
| Finance lease | *23* | **0** | 1,210,580 |
| Medium term loan | *22a* | **10,767,492** | 7,831,189 |
| Long term loan | *22b* | **5,262,033** | 5,262,033 |
| Preference share capital | *24b* | **100** | 100 |
| **Total non-current liabilities** | | **17,821,594** | 18,119,075 |
| **Current liabilities** | | | |
| Bank overdraft | *20* | **200,770,767** | 89,899,782 |
| Income tax liability | *10b* | **1,840,788** | 3,840,788 |
| Short Term Loan | *21* | **49,812,500** | 110,635,902 |
| Medium term loan (current portion) | *22a* | **6,059,317** | 6,522,071 |
| Finance lease (current portion) | *23* | **1,040,475** | 737,794 |
| Trade and other payables | *19* | **9,953,277** | 10,599,930 |
| **Total current liabilities** | | **269,477,124** | 222,236,267 |
| **Total liabilities** | | **287,298,718** | 240,355,342 |
| **Total liabilities and equity** | | **326,819,653** | 289,272,075 |

**Approved by the Board on** 19th December **2013**

Johnpratton ..............................**Director** ........................................ **Director**

# PBC LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

**CAPITAL AND RESERVES**

**2013**

| | Stated Capital GH¢ | Retained Earnings GH¢ | Other Reserves GH¢ | Total Equity GH¢ |
|---|---|---|---|---|
| Balance at 1st October | 15,000,000 | 32,692,630 | 1,224,103 | 48,916,733 |
| Dividend paid during the year | 0 | (2,964,177) | 0 | (2,964,177) |
| Total recognised Income and Expenses | 0 | (8,831,622) | 0 | (8,831,622) |
| Movement in available for sale asset | 0 | 0 | 2,400,001 | 2,400,001 |
| **Balance at 30th September** | **15,000,000** | **20,896,831** | **3,624,104** | **39,520,935** |
| **2012** | | | | |
| Balance at 1 October | 15,000,000 | 30,778,491 | 1,595,012 | 47,373,503 |
| Dividend paid during the year | 0 | (8,158,902) | 0 | (8,158,902) |
| Total recognised Income and Expenses | 0 | 10,073,041 | 0 | 10,073,041 |
| Movement in available for sale asset | 0 | 0 | (370,909) | (370,909) |
| **Balance at** | **15,000,000** | **32,692,630** | **1,224,103** | **48,916,733** |

# PBC LIMITED
## STATEMENT OF CASH FLOW
## FOR THE YEAR ENDED 30TH SEPTEMBER 2013

| | 2013 GH¢ | 2012 GH¢ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | **(10,854,826)** | 13,725,310 |
| Adjustment for: | | |
| Depreciation and Amortisation charges | **8,143,516** | 6,845,467 |
| Interest Received | **(453,875)** | (2,409,054) |
| Profit on Property, Plant and Equipment Disposals | **(42,952)** | (153,189) |
| Interest expense | **52,409,507** | 49,583,134 |
| **Operating profit before working capital changes** | **49,201,370** | 67,591,668 |
| Change in inventories | **14,791,971** | 45,865,918 |
| Change in trade and other receivables | **61,372,740** | (76,031,897) |
| Change in trade and other payables | **(646,653)** | (7,219,886) |
| **Cash generated from operations** | **124,719,428** | 30,205,803 |
| Income taxes paid | **(2,000,000)** | (5,270,000) |
| **Net cash flow from operating activities** | **122,719,428** | 24,935,803 |
| **Cash flow from investing activities** | | |
| Interest Received | **453,875** | 2,409,054 |
| Proceeds from disposal of Assets | **42,952** | 171,737 |
| Payments to acquire Property, Plant and Equipment | **(33,757,822)** | (26,015,155) |
| **Net Cash used in Investing Activities** | **(33,260,995)** | (23,434,364) |
| **Cash flows from Financing Activities** | | |
| Interest paid | **(52,409,507)** | (49,583,134) |
| Dividend paid during the year | **(2,964,177)** | (8,158,902) |
| Short Term Loan Paid | **(60,823,402)** | (39,289,682) |
| Finance Lease Repayment | **(907,899)** | (737,794) |
| Medium Term Loan Received | **2,473,549** | 6,921,182 |
| **Net Cash flows from Financing Activities** | **(114,631,436)** | (90,848,330) |
| **Net Decrease in Cash and Cash equivalents** | **(25,173,003)** | (89,346,891) |
| **Cash and Cash equivalents at 1 October** | **(66,883,866)** | 22,463,025 |
| **Cash and Cash equivalents at 30 September** | **(92,056,869)** | (66,883,866) |
| **Cash and Cash Equivalents.** | | |
| Cash in Hand and at Bank | **9,384,898** | 22,199,991 |
| Bank overdraft | **(200,770,767)** | (89,899,782) |
| Treasury Bills/Call Deposits | **99,329,000** | 815,925 |
| | **(92,056,869)** | (66,883,866) |

# Report of the Independent Auditor to the Members of Unilever Ghana Limited

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Unilever Ghana Limited set out on pages 16 to 49. These financial statements comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1963 (Act 179) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Unilever Ghana Limited as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

## REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii) the Company's balance sheet (statement of financial position) and profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

PricewaterhouseCoopers

Signed by: Michael Asiedu-Antwi (ICAG/P/1138)
For and on behalf of:
PricewaterhouseCoopers (ICAG/F/028)
Chartered Accountants
Accra, Ghana
2nd April, 2014

pwc

## Statement of Comprehensive Income for the year ended 31 December

(All amounts are expressed in thousands of Ghana cedis)

Unilever

| | Notes | 2013 | 2012 As restated |
|---|---|---|---|
| Revenue | 3 | 323,407 | 282,138 |
| Cost of sales | 4 | (236,803) | (218,665) |
| | | --------- | --------- |
| **Gross profit** | | 86,604 | 63,473 |
| Distribution expenses | 5 | (28,705) | (17,037) |
| Administrative expenses | 6 | (37,284) | (23,613) |
| Restructuring costs | 23b | - | (246) |
| | | --------- | --------- |
| **Operating profit** | | 20,615 | 22,577 |
| Finance income | 7 | 685 | 671 |
| Finance costs | 7 | (2,497) | (2,953) |
| | | --------- | --------- |
| **Profit before income tax** | | 18,803 | 20,295 |
| Income tax expense | 9c | (4,730) | (4,560) |
| | | --------- | --------- |
| **Net profit after tax for the year** | | 14,073 | 15,735 |
| | | ===== | ===== |
| **Other comprehensive income :** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gains/(losses) on pensions before tax | 12c | 3,718 | (3,814) |
| Income tax relating to other comprehensive income | 12c | (930) | 954 |
| | | --------- | --------- |
| | | 2,788 | (2,860) |
| | | --------- | --------- |
| **Total comprehensive income for the year** | | 16,861 | 12,875 |
| | | ===== | ===== |

**Earnings per share for profit attributable to the equity holders of the company**

| | Notes | 2013 | 2012 |
|---|---|---|---|
| Earnings per share | 30 | 0.2252 | 0.2518 |

# Statement of Financial Position as at 31 December

(All amounts are expressed in thousands of Ghana cedis)

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10a&b | 55,169 | 40,973 |
| Intangible assets | 11 | 8,617 | 10,964 |
| Investment in subsidiaries | 13 | 10 | 10 |
| Pension assets for funded scheme in surplus | 12d | 6,881 | 3,915 |
| | | 70,677 | 55,862 |
| **Current assets** | | | |
| Inventories | 14 | 48,929 | 32,576 |
| Trade and other receivables | 19 | 63,447 | 42,272 |
| Current income tax | 9a | 1,340 | 3,336 |
| Cash at bank | 22 | 7,730 | 19,666 |
| | | 121,446 | 97,850 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | (130,643) | (103,881) |
| Dividend payable | 15 | (3,131) | (2,764) |
| Provisions | 23a&b | (1,747) | (598) |
| Bank overdrafts | 22 | (15,399) | (8,087) |
| | | (150,920) | (115,330) |
| **Net current liabilities** | | (29,474) | (17,480) |
| **Total assets less current liabilities** | | 41,203 | 38,382 |
| **Non-current liabilities** | | | |
| Deferred income tax | 9a | 6,327 | 4,166 |
| Post employment benefits obligation-unfunded | 12d | 2,247 | 2,448 |
| | | 8,574 | 6,614 |
| **Shareholders' fund** | | | |
| Stated capital | 16 | 1,200 | 1,200 |
| Capital surplus account | 17 | 204 | 204 |
| Income surplus account | | 31,144 | 30,283 |
| Share deals account | 18 | 81 | 81 |
| **Shareholders' equity** | | 32,629 | 31,768 |
| **Total equity and non-current liabilities** | | 41,203 | 38,382 |

The financial statements on pages 16 - 49 were approved by the Board of Directors on 20th March, 2014 and were signed on their behalf by:

Managing Director
**(MAIDIE E. ARKUTU)**

Vagaga

Finance Director
**(VICTORIA K. KIGGUNDU)**

## Statement of Cash flows for the year ended 31 December

(All amounts are expressed in thousands of Ghana cedis)

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 21 | 18,004 | 51,970 |
| Interest paid | 7 | (2,497) | (2,953) |
| Interest received | 7 | 685 | 671 |
| Income tax paid | 9a | (1,503) | (4,988) |
| | | ----------- | ----------- |
| **Net cash generated from operating activities** | | 14,689 | 44,700 |
| | | ----------- | ----------- |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 10a&b | (18,244) | (13,201) |
| Purchases of Intangible assets | 11 | (60) | (12,005) |
| | | ---------- | ---------- |
| **Net cash used in investing activities** | | (18,304) | (25,206) |
| | | ---------- | ---------- |
| **Cash flows from financing activities** | | | |
| Dividend paid | 15 | (15,633) | (29,213) |
| | | ---------- | ---------- |
| **Net cash used in financing activities** | | (15,633) | (29,213) |
| | | ---------- | ---------- |
| Decrease in cash and cash equivalents | | (19,248) | (9,719) |
| Cash and cash equivalents at beginning of year | | 11,579 | 21,298 |
| | | --------- | --------- |
| **Cash and cash equivalents at end of year** | 22 | (7,669) | 11,579 |
| | | ====== | ====== |

## Statement of Changes in Equity as at 31 December

(All amounts are expressed in thousands of Ghana cedis)

| Year ended 31 December 2013 | Notes | Stated capital | Capital surplus account | Income surplus account | Share deals account | Total equity |
|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | | 1,200 | 204 | 30,283 | 81 | 31,768 |
| **Comprehensive income** | | | | | | |
| Profit for the year | | - | - | 14,073 | - | 14,073 |
| **Other comprehensive income** | | | | | | |
| Actuarial gains on pensions after tax | 12c | - | - | 2,788 | - | 2,788 |
| **Total comprehensive income for the year** | | | | 16,861 | | 16,861 |
| **Transactions with owners** | | | | | | |
| Final dividend to equity holders 2012 | 15 | - | - | (16,000) | - | (16,000) |
| **Balance at 31 December 2013** | | 1,200 | 204 | 31,144 | 81 | 32,629 |
| **Year ended 31 December 2012** | | | | | | |
| Balance at 1 January 2012 | | 1,200 | 204 | 47,408 | 81 | 48,893 |
| **Comprehensive income** | | | | | | |
| Profit for the year as previously reported | | - | - | 16,082 | - | 16,082 |
| Effect of change in accounting policy | 12c | - | - | (347) | - | (347) |
| Profit of the year as restated | | - | - | 15,735 | - | 15,735 |
| **Other comprehensive income** | | | | | | |
| Actuarial losses on pensions after tax as previously recognised | 12c | - | - | (3,207) | - | (3,207) |
| Effect of change in accounting policy | 12c | - | - | 347 | - | 347 |
| Actuarial losses on pensions after tax as restated | | | | (2,860) | | (2,860) |
| **Total comprehensive income for the year** | | | | 12,875 | | 12,875 |
| **Transactions with owners** | | | | | | |
| Final dividend to equity holders 2011 | 15 | - | - | (30,000) | - | (30,000) |
| **Balance at 31 December 2012** | | 1,200 | 204 | 30,283 | 81 | 31,768 |

# Independent Auditor's Report to the Members of Ghana Oil Company Limited

***For The Year Ended 31 December 2013***

## Report on the Financial Statements

We have audited the accompanying financial statements of Ghana Oil Company Limited which comprise the statement of financial position as of December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) Securities and Exchange Commission Regulations 2003, LI 1728 and Ghana Stock Exchange Membership Regulations 1991 LI 1510 as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Auditor's Report
FOR THE YEAR ENDED 31 DECEMBER 2013



## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ghana Oil Company Limited as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, 1963 (Act 179), Securities and Exchange Commission Regulations 2003, LI 1728 and Ghana Stock Exchange Membership Regulations 1991 LI 1510 as amended.

## Report on Other Legal and Regulatory Requirements

The Companies Act, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

» We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

» In our opinion proper books of accounts have been kept by the Company, so far as appears from our examination of those books, and

» The Company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

PKF

Signed by: F. Bruce-Tagoe (ICAG/P/1087)
For and on behalf of
PKF: (ICAG/F/039)
Chartered Accountants
Farrar Avenue
P. O. Box GP 1219,
Accra.

3RD APRIL 2014

# PART 2



GOIL

# Statement Of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

| | Notes | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **Gross Revenue** | | 1,082,583,510 | 859,912,641 |
| Customs Duties and Levies | | (76,956,013) | (68,585,163) |
| **Net Revenue** | | 1,005,627,497 | 791,327,478 |
| **Cost of Sales** | | (949,504,217) | (746,310,078) |
| **Gross Profit** | | 56,123,280 | 45,017,400 |
| Sundry Income | 3 | 3,494,932 | 2,243,023 |
| Depot and Station Expenses | 2a. | (13,524,864) | (8,980,213) |
| Selling & Administrative Expenses | 2b. | (27,317,201) | (23,489,428) |
| **Operating profit before financing cost** | | 18,776,147 | 14,790,782 |
| Net Finance Expenses | 4 | (187,890) | (600,704) |
| **Profit before Taxation** | | 18,588,257 | 14,190,078 |
| Income Tax Expense | 5 | (4,825,426) | (4,788,452) |
| Net profit after tax attributable to equity holders of the company | | 13,762,831 | 9,401,626 |
| **Other Comprehensive Income** | | | |
| Available -for-Sale Financial Assets net of tax | 20 | 2,916,072 | 366,000 |
| *Total Other Comprehensive Income* | | 2,916,072 | 366,000 |
| **Total Comprehensive Income for the year** | | 16,678,903 | 9,767,626 |
| Earning per share (GH¢) | 29 | 0.055 | 0.045 |
| Dividend per share (GH¢) | 29 | 0.016 | 0.015 |

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# Statement Of Financial Position

**AS AT 31 DECEMBER 2013**

| | Notes | 2013 GH¢ | 2012 GH¢ |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| Property, Plant and Equipment | 8a | 71,750,042 | 46,823,684 |
| Intangible Asset | 12 | 2,289,256 | 851,825 |
| Available for Sale Financial Instruments | 9a | 8,584,883 | 5,546,089 |
| *Total Non Current Assets* | | 82,624,181 | 53,221,598 |
| **CURRENT ASSETS** | | | |
| Stocks | 10 | 17,085,291 | 12,375,835 |
| Accounts Receivable | 11 | 96,527,285 | 90,297,148 |
| Short Term Investment | 9b | 4,479,075 | 3,900,227 |
| Cash and Bank Balances | 13 | 21,227,777 | 3,995,913 |
| *Total Current Assets* | | 139,319,428 | 110,569,123 |
| **TOTAL ASSETS** | | 221,943,609 | 163,790,721 |
| **EQUITY** | | | |
| Stated Capital | 17 | 31,809,263 | 11,809,263 |
| Building Fund | 18 | 2,533,369 | 1,599,217 |
| Income Surplus | 19 | 16,017,991 | 27,508,113 |
| Capital Surplus | 20 | 8,974,427 | 6,058,355 |
| *Total Equity* | | 59,335,050 | 46,974,948 |
| **NON CURRENT LIABILITIES** | | | |
| Deferred Tax | 7b | 3,591,598 | 2,822,389 |
| Non Current Term Loan | 16b | 6,565,818 | 8,121,909 |
| *Total Non Current Liabilities* | | 10,157,416 | 10,944,298 |
| **CURRENT LIABILITIES** | | | |
| Bank Overdraft | 14 | 1,114,277 | 1,316,148 |
| Accounts Payable | 15 | 145,646,738 | 99,131,373 |
| Current Portion of Term Loan | 16c | 3,662,975 | 3,636,477 |
| Current Tax | 7a | 2,027,153 | 1,787,477 |
| *Total Current Liabilities* | | 152,451,143 | 105,871,475 |
| **TOTAL LIABILITIES** | | 162,608,559 | 116,815,773 |
| **TOTAL EQUITY AND LIABILITIES** | | 221,943,609 | 163,790,721 |

Approved by the Board on.

3RD APRIL 2014

Director

Director

# Statement Of Changes In Equity

**FOR THE YEAR ENDED 31 DECEMBER 2013**

| | *Stated Capital* | *Building Fund* | *Income Surplus* | *Capital Surplus* | *Totals* |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **2013** | | | | | |
| Balance at 1 January | 11,809,263 | 1,599,217 | 27,508,113 | 6,058,355 | 46,974,948 |
| Net profit for the year | 0 | 0 | 13,762,831 | 0 | 13,762,831 |
| Transfer to Stated Capital | 20,000,000 | 0 | (20,000,000) | 0 | 0 |
| Tax Effect on Transfer to Stated Capital | 0 | 0 | (1,412,015) | 0 | (1,412,015) |
| Transfer to Building Fund | 0 | 688,142 | (688,142) | 0 | 0 |
| Interest Earned on Amount Invested | 0 | 246,010 | 0 | 0 | 246,010 |
| Revaluation Gain on Available for Sale Investments | 0 | 0 | 0 | 2,916,072 | 2,916,072 |
| Dividend paid | 0 | 0 | (3,152,796) | 0 | (3,152,796) |
| *Balance at 31 December* | **31,809,263** | **2,533,369** | **16,017,991** | **8,974,427** | **59,335,050** |
| **2012** | | | | | |
| Balance at 1 January | 11,809,263 | 1,129,136 | 21,519,175 | 5,692,355 | 40,149,929 |
| Net profit for the year | 0 | 0 | 9,401,626 | 0 | 9,401,626 |
| Transfer to Building Fund | 0 | 470,081 | (470,081) | 0 | 0 |
| Revaluation Gain on Available for Sale Investments | 0 | 0 | 0 | 366,000 | 366,000 |
| Dividend paid | 0 | 0 | (2,942,607) | 0 | (2,942,607) |
| *Balance at 31 December* | **11,809,263** | **1,599,217** | **27,508,113** | **6,058,355** | **46,974,948** |

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# Statement Of Cash Flow

FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 | 2012 |
|---|---|---|
| | GH¢ | GH¢ |
| **Cash flow from operating activities** | | |
| *Operating Profit* | 18,588,257 | 14,190,078 |
| **Adjustment for:** | | |
| Depreciation and Amortisation charges | 7,828,259 | 4,828,924 |
| Profit on sale of Property, Plant and Equipment | (141,650) | (77,273) |
| Interest and Dividend Received | (1,174,589) | (666,649) |
| Interest Paid | 1,362,479 | 1,267,353 |
| Net effect of Assets Reversed | 17,948 | 30,000 |
| *Operating Profit Before Working Capital Changes* | 26,480,704 | 19,572,433 |
| Increase in Stocks | (4,709,456) | (2,449,492) |
| Increase in Debtors | (6,230,137) | (24,994,536) |
| Increase in Creditors | 45,226,638 | 26,290,028 |
| *Cash generated from operations* | 60,767,749 | 18,418,433 |
| Company Tax Paid | (3,816,541) | (2,894,350) |
| *Net Cash Inflow from Operating activities* | 56,951,208 | 15,524,083 |
| **Cash flows from Investing activities** | | |
| Interest and Dividend Received | 1,174,589 | 666,649 |
| Interest paid | (1,362,479) | (1,267,353) |
| Acquisition of Property, Plant and Equipment | (34,242,246) | (19,908,819) |
| Receipt from disposal of Property, Plant and Equipment | 173,900 | 109,393 |
| | (34,256,236) | (20,400,130) |
| *Net Cash Inflows Before Financing* | 22,694,972 | (4,876,047) |
| **Cash flows from Financing Activities** | | |
| (Decrease)/Increase in Term Loan | (1,529,593) | 7,942,286 |
| Dividend paid | (3,152,796) | (2,942,607) |
| | (4,682,389) | 4,999,679 |
| *Net Increase in Cash and Cash Equivalents* | 18,012,583 | 123,632 |
| *Cash and Cash Equivalents at 1 January* | 6,579,992 | 6,456,360 |
| *Cash and Cash Equivalents at 31 December* | 24,592,575 | 6,579,992 |
| **Cash and Cash Equivalents** | | |
| Cash at Bank and in Hand | 21,227,777 | 3,995,913 |
| Bank Overdraft | (1,114,277) | (1,316,148) |
| Short Term Investment | 4,479,075 | 3,900,227 |
| | 24,592,575 | 6,579,992 |