

CASH MANAGEMENT:

A CASE STUDY OF LOGS & LUMBER LTD. KUMASI

BY

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I hereby declare that this submission is my own work towards the MBA 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

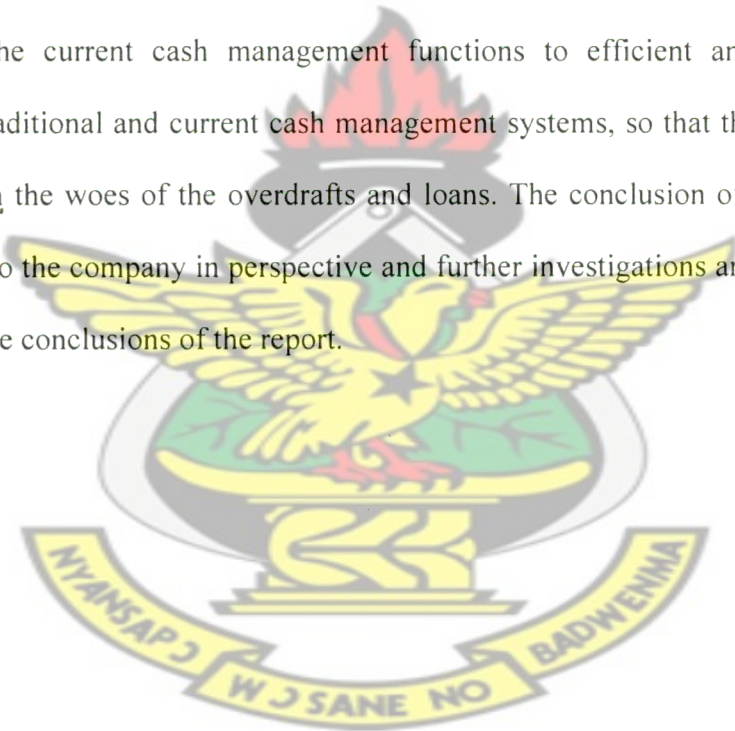
I dedicate this study to Almighty God for bringing me this far and to my entire family for their love and support.

# KNUST



## ABSTRACT

This study is set out to look at the cash management functions or systems, cash holding, cash control practices and the cash investment practices in Logs & Lumber Ltd and how these impacts on the ability of the company to maintain sufficient and optimal cash balance to effectively manage its most liquid capital hence solve its liquidity problems. The study revealed that, the nature of the cash management functions as currently being practiced breeds some inefficiencies in the management of the company's cash and this has lead to huge overdrafts and loans since the company depends largely on debt. However, the company is able to survive because of its comparative advantage of large market, also because a large chunk of its revenue is from export sales which bring foreign exchange advantage especially in the wake of the depreciation of the cedi. The study concluded that the company needs a paradigm shift from the current cash management functions to efficient and effective functions of both the traditional and current cash management systems, so that the company can relieve its self from the woes of the overdrafts and loans. The conclusion of this report can only be applicable to the company in perspective and further investigations are needed to confirm or generalize the conclusions of the report.





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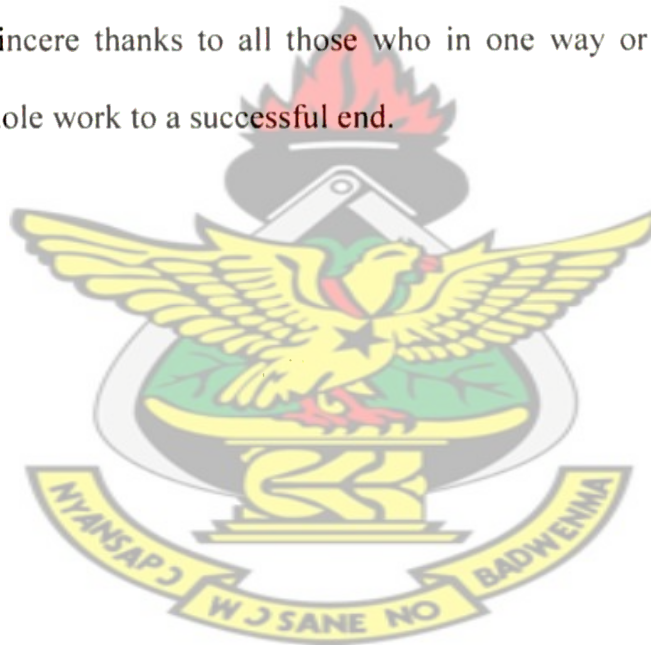


## ACKNOWLEDGEMENT

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# CHAPTER ONE

## BACKGROUND OF THE STUDY

### 1.1 INTRODUCTION

This chapter introduces the reader to a background of the study and present the purpose of the study after considering the research questions arising, the hypothesis to be tested the problem statement as well as the organization of the study. The production and export of Timber remains as one of the very important fulcrums around which the economy of Ghana thrives, hence their well being is crucial for the economic development of this country. The success or not of this industry largely depends on the ability of Timber companies to manage their most liquid working capital (Cash) effectively and efficiently.

Over recent decades, the Timber industry has taken a down turn leading to the collapse of most of the timber companies in Ghana and the overriding cause of this situation has been attributed to the fact that the companies are unable to establish proper cash management systems to ensure there exist effective and efficient cash management functions, cash holding, cash control and cash investments to cater for their growing short term cash requirements.

The main ambition of most timber companies including Logs & Lumber Ltd. Today is to improve upon the management of their most liquid capital which hitherto was often neglected.

Samuel (2009) justifiably argued that, the current credit crisis has been the source of both good and bad news for corporate treasurers and the entire global economy. Let's look at the bad news first.



The fall of a number of financial institutions and amalgamation of others has several effects, but the key issues relating to recruitment are: The consolidation of the market leading to fewer roles. Inevitably in the banking market there will be fewer roles as organisations streamline their departments and take advantage of economies of scale.

The lack of lending is not just between the banks but reverberates out into the market and this puts corporates under increasing strain to ensure liquidity through these turbulent times.

Cash management, according to Larsson (2000) is not a new phenomenon and organizations have always considered how their liquid capital in the best way should be managed. Even though managing liquid capital has always been done, the term cash management has brought new light to managing liquid capital with focus on the time-dimension of cash flow. The main issues which form a core of cash management has to do with the various functions of cash management, cash holding, cash control and surplus cash investments. The above main issues are the areas this study is intended to explore.

## **1.2 STATEMENT OF THE PROBLEM**

The timber business is experiencing a diminishing returns in view of the fact that they are suffering from liquidity inertia hence are struggling to pay their recurring expenditure. Also, these companies have a huge piled up of nonperforming assets due to poor loan repayment all as a result of poor cash management systems This is partly the reason why a lot of the timber companies have entangled themselves in huge debt situation eventually leading to the collapse of many of these companies especially in the Kumasi metropolis and therefore one important ambition of the timber companies today is how to effectively manage its most liquid capital (cash). Unfortunately the issue of cash management in the timber company has rarely been looked at but rather a lot of studies in this area have been concentrated to the

banks and governmental institutions. It is the light of this that study is conducted to examine the cash management of the concerned company.

**1.3 RESEARCH OBJECTIVES**

The study is aimed at achieving the following objectives:

- 1 To assess the issue of cash management from the perspective of Logs &Lumber Ltd. (accomplished in pages 38 to 39)
- 2 To find out the current cash management functions prevailing in the Logs &Lumber Ltd. (accomplished in pages 39 to 48)
- 3 To identify the reasons for holding cash in Logs &Lumber Ltd. (accomplished in pages 48 to 49)
- 4 To assess the system of cash controls in the management of cash receipt and cash disbursement. (accomplished in pages 49 to 54)
- 5 To develop recommendations on how to improve cash management systems in Logs &Lumber Ltd. (accomplished in pages 58 to 60)

**1.4 RESEARCH QUESTIONS**

The presented background and problem statement led to the following questions

Research Question 1 What cash management functions are currently being employed by Logs &Lumber Ltd.?

Research Question 2 Is there any relationship between the reasons for holding cash on the level of cash holding?

Research Question 3 What controls are put in place in managing and disbursing cash?

Research Question 4 Does cash management have any effect on Debt situation of the company?

## 1.5 HYPOTHESIS

As a result of the above research questions the following hypothesis will be tested.

- The current cash management systems being employed are the reason for huge dependants on huge loans and overdrafts
- There exist a relationship between the reasons for holding cash and the level of cash holding
- The cash management functions impacts on the debt situation of Logs & Lumber Ltd.

## 1.6 SIGNIFICANCE OF THE STUDY

Managing corporate cash effectively is an integral part of a company's success. Advances over the last 50 years have resulted in a cash management discipline that has an impact on the company's bottom line and on shareholders' value. Cash is the lifeline of a company. If this lifeline deteriorates, so does the company's ability to fund operations, reinvest and meet capital requirements and payments. Understanding a company's cash flow health is essential to the cash management decisions of the almost collapsing timber companies.

The other significance of the study will be as follows:

- Unearth the causes of cash management of the Logs and Lumber.
- The research would assist the management through its recommendations to develop solutions to solving the cash management problems
- It will also assist other organizations with similar problems with the opportunity to overcome their problems.

- The cash management problems of the company when solved its expected to boast the company's ability to pay and improve workers remunerations which in turn will attract quality staff for the company. This undoubtedly will boast employment in Kumasi
- The study will be beneficial to academia since it can be used as reference for further research.

## 1.7 SCOPE OF THE STUDY

This study brings together aspects of theory and practice. For theory, this study is an expansion of previous studies on cash management which usually covers banking and governmental institutions to a multinational timber company. For practice the study examines the functions, cash control, cash handling involved in cash management and the impact of these on the debt situation and management of Logs & Lumber Ltd. In line with the above, data from both primary and secondary sources will be used to test their relevance to the practice of cash management.

## 1.8 LIMITATION OF THE STUDY

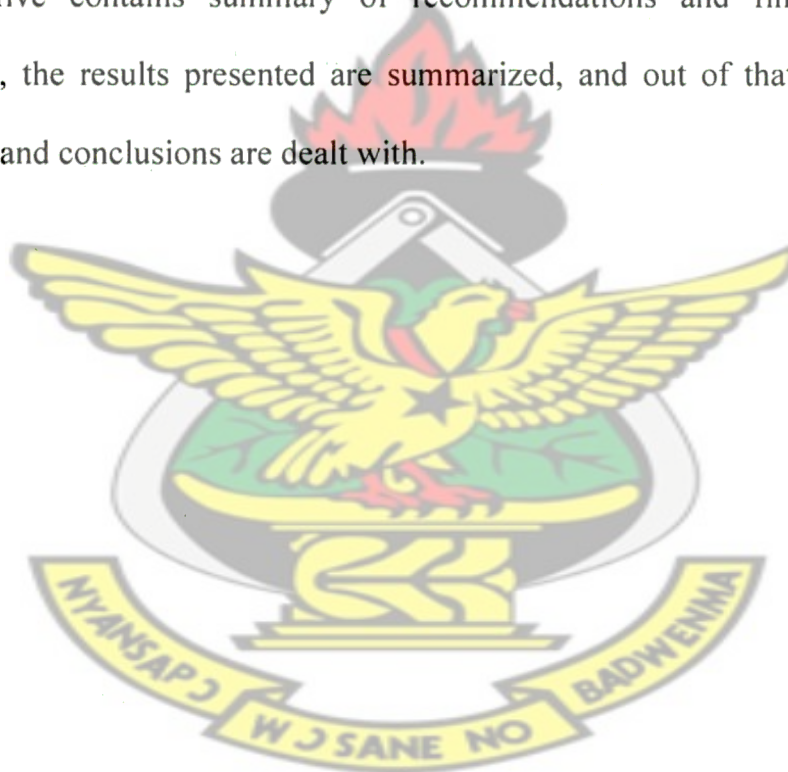
The research is limited to only Logs & Lumber Ltd. The focus of the thesis is to find the effectiveness and efficiency of the company's cash management system and how to improve upon it. Time constraint inhibited the researcher to concentrate on the only one company as case study. However it is hoped that the findings can be used to draw some generalizations.

## 1.9 ORGANISATION OF THE STUDY

1. Chapter One of this study deals with the; background of the study, statement of the problem, objective of the study, the research questions, relevance of the study, scope of the study, organization of the study, and the limitations of the study.



2. Chapter two looks at literature review; this covers reviews of what other writers have to say about the concept of cash management, functions of cash management, cash control and other relevant matters.
3. Chapter three bothers on the methodology, i.e. the data gathering process
4. Chapter four involves empirical findings and analysis. The results of the empirical studies together with the analysis are presented here.
5. Finally chapter five contains summary of recommendations and findings and conclusions. Here, the results presented are summarized, and out of that the some recommendations and conclusions are dealt with.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 INTRODUCTION

The theoretical framework that forms the basis of this thesis is gathered in this chapter. It aims to elucidate the functions, cash control, cash holding and cash investment involved in cash management and to support the analyses and conclusions throughout this thesis.

#### 2.1 THE CONCEPT OF CASH MANAGEMENT

##### ✓ What Is Cash Management?

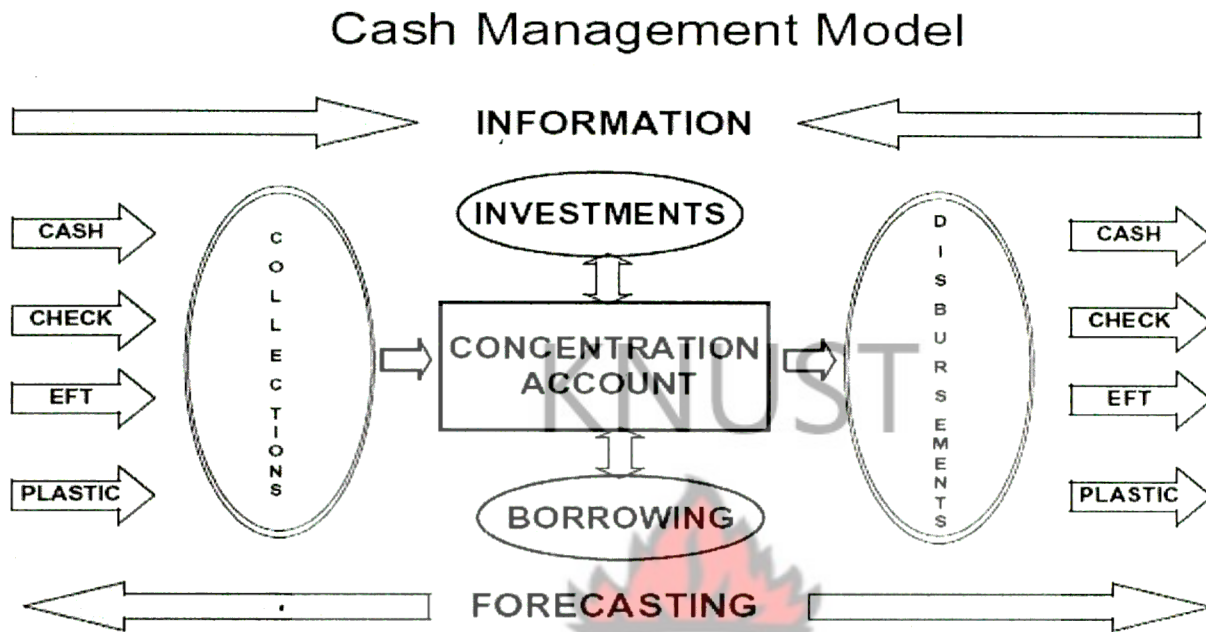
Cash management is the art—and increasingly the science—of managing a company's short-term resources to sustain its ongoing activities, mobilizes funds, and optimizes liquidity. The most important elements are:

- The efficient utilization of current assets and current liabilities of a firm throughout each phase of the business operating cycle
- The systematic planning, monitoring, and management of the company's collections, disbursements, and account balances
- The gathering and management of information to use available funds effectively and identify risk. Allman-Ward & Sagner(2003)



Figure 1 shows the cash management model and how the primary functions of cash management interrelates'

**Figure 1 CASH MANAGEMENT MODEL**



SOURCE: (Allman-Ward & Sagner, 2003, p.3)

According to Larsson (2000), the efficiency in the value chain can be improved, if organizations control and perhaps adjust their financial routines. One part of an organization's financial routines with great potential, but which often is neglected, is organizations managing their most liquid capital or cash management.

Cash management, according to Larsson is not a new phenomenon and organizations have always considered how their liquid capital in the best way should be managed. Even though managing liquid capital has always been done, the term cash management has brought new light to managing liquid capital with focus on the time-dimension of cash flow. During the fifties the first cash management-models were presented and the concept cash management was taken in the use. . Larsson (2000), holds that cash management can be defined as

“theories and methods for handling liquid capital”. According to cash management Report 580, which Larsson discusses, cash management consist of e.g. handling liquid capital and cash flow, Larsson holds that many organizations neglect their work with cash management. This neglect arises from the shortcoming of e.g. efficient payment routines and trade receivables. Larsson describe that these routines easily can be obsolete if organizations do not focus on follow up and developing existing routines.

An efficient work with cash management can generate free capital it is of great importance for organizations to control their managers into working more efficient with cash management. This control of cash management can be concentrated into different parts of an organization’s handle of liquid capital.

Cash management is particularly important for new and growing businesses. As Jeffrey et al., (1992) indicated in their book *Cash Traps*, cash flow can be a problem even when a small business has numerous clients, offers a superior product to its customers, and enjoys a sterling reputation in its industry. Companies suffering from cash flow problems have no margin of safety in case of unanticipated expenses. They also may experience trouble in finding the funds for innovation or expansion. Finally, poor cash flow makes it difficult to hire and retain good employees.

It is only natural that major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. In addition, employee salaries and other expenses drain considerable funds from most businesses. These factors make effective cash management an essential part of any business's financial planning. "Cash is the lifeblood of a

business enterprise," Richard et al.,(1997). "Without cash for inventory, payroll, and other expenses, an emergency is imminent."

On the overall, Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. It encompasses a company's level of liquidity, its management of cash balance, and its short-term investment strategies. In some ways, managing cash flow is the most important job of business managers. If at any time a company fails to pay an obligation when it is due because of the lack of cash, the company is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such a dire consequence should compel companies to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed. (Shnee 2000)

#### ✓ Historical Perspective

Allman-Ward & Sagner (2003) stated in their book "Essentials of Cash Management" that the birth of cash management can be traced back more than half of a century when, in 1947, some companies started to use a lockboxes to accelerate collection of payments from dealers. In the late 1960's companies begun to use cash management even more aggressively when the banks developed new investment vehicles to attract funds.

The 1970s saw the wide-spread use of one of the first major technological innovations in cash management: the lockbox model. These computer programs used mail times between cities and bank availability schedules to develop optimal lockbox locations to minimize total collection float. In the 1980s, the personal computer (PC), which later spawned the treasury workstation (TWS), began the revolution that would transform the role of the cash manager from a gatherer of data to an analyzer and user of information. During the 1990s,



technological developments progressed even more rapidly, and deregulation of the banking industry continued.

According to the “Global Payments 2000/1 Report” of the Boston Consulting Group, by the year 2008, the worldwide cash management revenue associated with domestic and cross-border payments is estimated to reach almost \$310 billion per year, an indication of wide spread of cash management. It is a truism that historically cash management was developed from treasury management in the banking and public sectors. It therefore natural that a lot of researches works have sought to confuse treasury management in explaining cash management because much research work in this area have been undertaken in the banking industry especially. This study seeks to look at the dynamics involved in this area with respect to the other corporate entities especially in the Timber industry.

According to the a Letter of Intent, (2009) issued by the Government of Ghana to the International Monetary Fund (IMF), from the Ghanaian perspective, over the last decade, there has been a surging need to promote the private sector as the engine of growth hence the government’s continuing crusade to provide capital, most importantly working capital to the private business set ups. The government seeks to achieve this by creating the enabling environment to encourage private access to loans and overdrafts, provision of venture capital etc. Government in recent times in an effort to strengthen fiscal management stated in its letter of intent(June 2009) to the International Monetary Fund (IMF) recognizes that one major step to avoiding the risk of over run commitments and domestic arrears is the establishment of a cash management framework that will provide an early warning system for management. It stated that “As part of the resolve to strengthen fiscal management, the government has already adopted a strengthened cash management system involving the Ministry of Finance and Economic Planning, Bank of Ghana, and the Controller and

Accountant General. The three institutions have also initiated a process of developing Treasury Single Account (TSA) which brings all government accounts under a single composite structure. The TSA will allow for a better cash flow management and a better planning of financing public sector borrowing requirement. Revenue management and Expenditure management committees have been established to support the cash management framework and the work of the EPCC.” This undoubtedly has a bearing on private sector cash management.

### ✓ **Current Trends and Developments**

According to the 2008 Visa Global Cash Management Survey provides a global view of current corporate cash management practices and highlights the increasingly important role of commercial payment cards within the cash management process. In addition to identifying and monitoring key cash management trends, the survey targets opportunities for improving process efficiency and the potential for accompanying cost savings. The survey captures the views and opinions of over 800 corporate financial executives from 11 countries, with 62 percent of survey respondents holding the position of CFO, treasurer or controller at their respective organizations. An important outcome of the 2008 survey was the ranking of top issues affecting the cash management function at today's businesses. Changes in technology were identified as having the greatest positive impact on cash flow management, while global economic and geopolitical issues were seen as having the greatest negative impact.

Allman-Ward & Sagner (2003) stated that in the context of cash management, there is an increased convergence of cash, liquidity, risk and trade management. Therefore, cash management is not only related to ensuring solvency and handling of payment transactions, but also involves risk management and working capital management alongside the entire financial supply chain (purchase-to-pay, order-to-cash, etc).

Furthermore, efficient cash management is expected to significantly improve both the profitability and growth of a company. As a result of globalisation and the competitive environment, companies are seeking more sophisticated cash management solutions and focusing on standardised processes and strengthening internal controls, which will lead to a higher degree of centralisation of cash management activities. The ongoing centralisation of corporate cash management activities is no longer restricted to larger corporate but is also on the agenda of small and mid-sized companies.

Research, conducted by the IBM Institute for Business Value, in co-operation with the Wharton School and the Economist Intelligence Unit, confirmed the trend of transition from decentralised to centralized cash management functionalities on a global – or at least regional - level among more than 1,200 CFOs and senior finance professionals. The research also found that the most successful finance organisations have an enterprise-wide common data definition, a standard chart of accounts, standard common processes and globally mandated standards.

The IBM research further stated that, the trends of the twenty-first century are already emerging. Banks are finding themselves in fierce competition with non-bank providers as suppliers of financial services. At the same time, credit is becoming a scarcer commodity for corporate borrowers, and treasurers are learning to reduce their dependence on cheap short-term loans. The Internet has brought the world to the doorstep of even the smallest company. In addition, the Web is reengineering business processes and the way by which companies assess their core competencies. Cash management is headed for interesting times.



2.2 CASH MANAGEMENT FUNCTIONS

The primary function of cash management is to manage the imbalances between a company’s cash inflows and cash outflows caused by both the operating cycle and the nature of cash flows. An understanding of both concepts is necessary, in particular how they relate to individual companies and their industry.

The Operating Cycle and the Cash Flow Timeline

For the majority of companies, the operating cycle consists of time period between procurement of the inventory and the collection of the cash from the receivables. The operating cycle is the length of time between the company’s outlay on raw materials, wages, and other expenses and inflow of cash from sale of goods. Operating cycle is an important concept in the management of cash and management of working capital. The operating cycles reveals the time that elapses between outlay of cash and inflow of cash.

Figure 2 OPERATING CYCLE

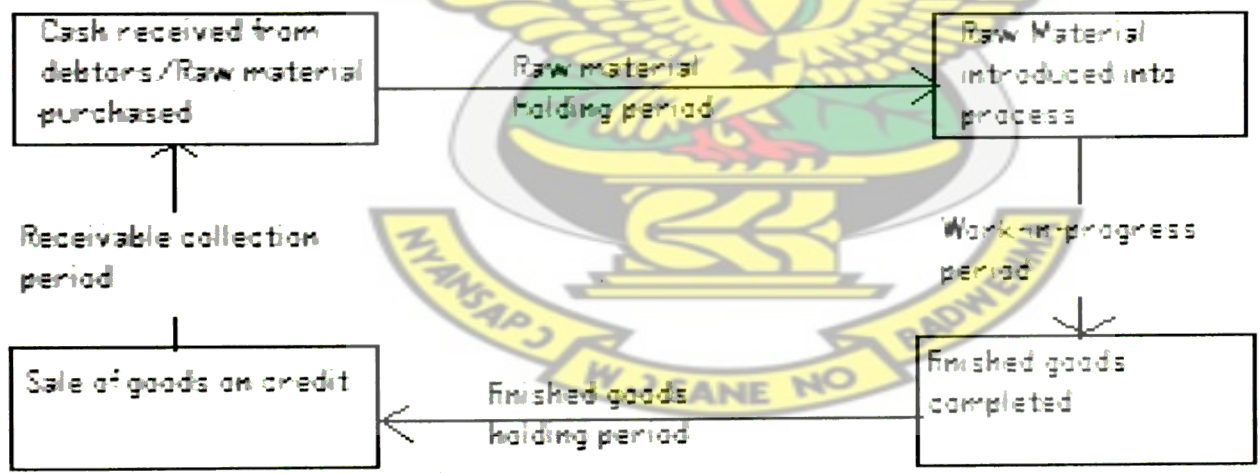


Diagram: OPERATING CYCLE

The above said periods are ascertained as follow: (Allman-Ward & Sagner, 2003, p.3)



(a) Raw material Holding Period =

$$\frac{\text{Average Raw material stock}}{\text{Average consumption of Raw material/365}}$$

(b) Work-in-Process period =

$$\frac{\text{Average Work-in-Process}}{\text{Average cost of goods/365}}$$

(c) Receivable collection period =

$$\frac{\text{Average Receivables}}{\text{Average sales/365}}$$

(d) Creditors payment period =

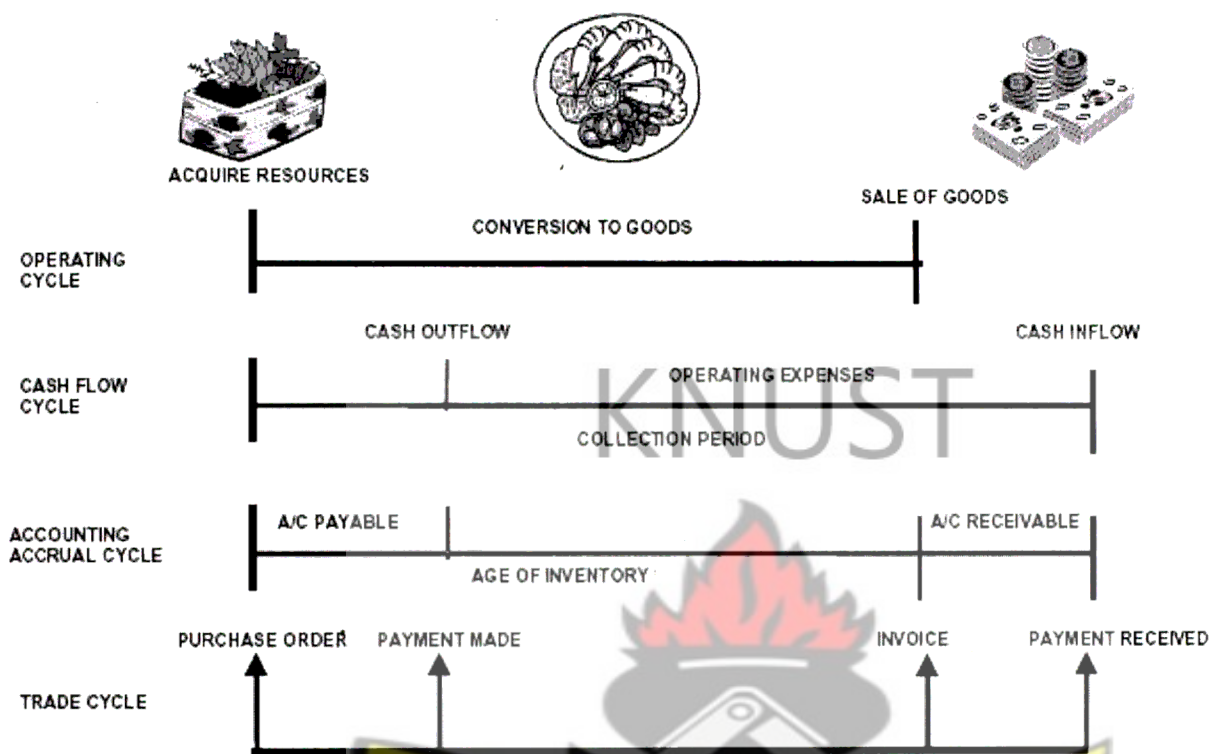
$$\frac{\text{Average Work-in-Process}}{\text{Average cost of goods/365}}$$

(e) Finished Goods Holding period =

$$\frac{\text{Average finished goods stock}}{\text{Average cost of goods sold/365}}$$

**Figure 3** INTERRELATION OF OPERATING CASH FLOW, AND ACCOUNTING CYCLE

### Interrelation of Operating, Cash Flow, and Accounting Cycles



SOURCE: Allman-Ward & Sagner, 2003, p.3

The operating cycle, in turn, defines the cash flow timeline, that is, the timing of cash inflows and cash outflows. Exhibit 1.3 illustrates the connection between the operating, cash, trade, and accounting cycles. The usual pattern is for cash outflows to precede inflows. The purchase of raw materials leads to additional, ongoing expenses associated with the conversion process. A sale does not necessarily result in an immediate cash inflow. A company will need sufficient liquidity to finance the operations until funds are actually collected. Each industry will have its own pattern of cash and operating cycles. Interrelation of Operating, Cash Flow, and Accounting Cycles. As an example of the preceding, a restaurant buys fresh produce in the morning, transforms the ingredients into meals, which

are then sold and paid for during the day. The time between when the cash disbursements are made and the cash is collected is less than a day, that is, the business has an 18–24-hour cash flow cycle. At the other end of the spectrum, the aircraft industry has a considerably longer operating and cash flow cycle. Years are spent on design and development, and contract negotiations for the purchase of raw materials. This is followed by a protracted manufacturing and testing phase, after which a sale is concluded, usually, on a long-term lease basis. There are also industries with a reverse cash flow cycle, although these are the exception rather than the rule. For example, in the insurance business, policyholders pay premiums in advance, and claims are paid long after the cash inflow has been received.

The role of cash management, in each case, is to ensure that there are sufficient funds for the company to continue in business until the completion of the cash flow cycle. However, each cash manager will perform a very different role, face different challenges, and employ different cash management techniques to assure their company's ongoing operation and liquidity. Liquidity should not be confused with profitability or net worth. It is possible for a company that is profitable and that has significant assets to go bankrupt from lack of operating (or "working") capital. For example, an airline company can own many valuable assets such as aircraft, landing slots and real estate, but its inability to pay for even one day's fuel can put it out of business.

### **The Nature of Cash Flows**

In managing working capital, the cash manager is challenged by the variable nature of cash flows. Cash flows can be:

- Mistimed. Outflows often precede inflows.
- Mismatched. Inflows may not entirely cover outflows.



- Irregular. Inflows may be uneven. Many seasonal businesses (e.g., retailers and the tourism industry) face extra challenges in managing their cash. Inflows are concentrated during peak months of activity but operating expenses continue throughout the year.
- Unpredictable. Cash flows can be difficult to forecast. Bills may be presented earlier than anticipated or the collection of funds may take longer than forecast. The unpredictability factor increases significantly in cross-border business.

The cash manager performs an important role: balancing the company's borrowing and investment activities to maintain the minimum level of liquidity required to sustain the company through the cash cycle.

The above function brings to bear the issue of cash flow which is very critical in the primary function of the cash manager. Cash Flow refers to the flow of cash into and out of a business over a period of time. The outflow of cash is measured by the money you pay every month to salaries, suppliers, and creditors. The inflows are the cash you receive from customers, lenders, and investors.

#### Positive Cash Flow

If the cash coming into the business is more than the cash going out of the business, the company has a positive cash flow. A positive cash flow is very good and the only concern here is managing the excess cash prudently.

#### Negative Cash Flow

If the cash going out of the business is more than the cash coming into the business, the company has a negative cash flow. A negative cash flow can be caused by a number of problems that result in a shortage of cash, such as too much or obsolete inventory, or poor collections on accounts receivable. If the company doesn't have money in the bank or can't borrow additional cash at this point, it may be in serious trouble.

A Cash Flow Statement is typically divided into three components so that you can see and understand both the internal and external sources and uses of cash.

### 1. Operating Cash Flow (Internal)

Operating cash flow, often referred to as working capital, is the cash flow generated from internal operations. It is the cash generated from sales of the product or service of your business. Because it is generated internally, it is under your control.

### 2. Investing Cash Flow (Internal)

Investing cash flow is generated internally from non-operating activities. This component would include investments in plant and equipment or other fixed assets, nonrecurring gains or losses, or other sources and uses of cash outside of normal operations.

### 3. Financing Cash Flow (External)

Financing cash flow is the cash to and from external sources, such as lenders, investors and shareholders. A new loan, the repayment of a loan, the issuance of stock and the payment of dividend are some of the activities that would be included in this section of the cash flow statement.

The starting point for avoiding a cash crisis is to develop a cash flow projection. Smart business owners know how to develop both short-term (weekly, monthly) cash flow projections to help them manage daily cash, and long-term (annual, 3-5 year) cash flow projections to help them develop the necessary capital strategy to meet their business needs. They also prepare and use historical cash flow statements to gain an understanding about where all the money went.



The primary day-to-day responsibilities in managing corporate cash include:

- **Ensuring adequate liquidity.** Maintaining sufficient liquidity reserves to meet the short-term obligations of the company (current liabilities). This requires that sufficient credit is available and that any surplus funds are invested in short-term instruments that can be quickly and easily liquidated.
- **Managing daily cash flows.** Monitoring funds that are received or disbursed, initiating payments and transfers, controlling cash balances in the bank, and moving funds as necessary.
- **Optimizing use of cash resources.** Determining the best use of temporary surplus cash. Leaving balances idle in a disbursement account is not a good use of cash. Assuming that the company is paying a higher rate to borrow than the bank is paying on investments, the best use of funds is to reduce interest expense by repaying debt.
- **Procuring cost-effective financing.** Arranging access to sufficient borrowing capacity, both short- and long-term, in a timely and cost-effective manner. This means that adequate bank relationships are required to assure the necessary levels of funding for the company. The most expensive form of financing is last-minute, unanticipated borrowing.
- **Assessing, monitoring, and controlling risk.** Understanding the nature and scope of financial risks. As companies globalize, the traditional areas of commercial, interest rate, and commodity risk are augmented by foreign exchange and country risks. The increased use of technology also adds a new kind of risk to be monitored and controlled. Joshua (2005), found out that close one-half of the firms do not have any well-functioning risk management system. Foreign exchange risk is mainly managed by adjusting prices to reflect changes in import prices resulting from currency fluctuations, and also by buying and saving foreign exchange in advance. The main problems the firms face are the frequent

appreciation of foreign currencies against the local currency and the difficulty in retaining local customers because of the high prices of their final products sold locally. The results also show that Ghanaian firms involved in international trade also exhibit a low level use of hedging techniques.

- **Managing banking relationships.** Ensuring that the right services are available and are being provided for a “fair” price. This often involves a trade-off between the level of service, timeliness, and cost control.

- **Managing information.** Collecting timely and accurate information. The cash manager is not only dependent upon the inflow of information but is also responsible for coordinating and providing data to other internal sources. The information is crucial for the management of funds, accurate forecasting, updating internal accounting systems, and risk management.

Cash management comprises other major functions including:

- ✓ **Accelerating and efficiently collecting cash inflows.**

To guard against late payments, bill as early as possible and make those invoices as clear and as detailed as possible. It may also be worth changing other billing practices such as invoice frequency: instead of waiting until the end of the month, generate an invoice as soon as the goods or services are delivered. Make sure those invoices are addressed to the right person in the right department.

For those big orders, you may want to consider progressive invoicing while you manufacture the goods or deliver the service. For example you can ask for a deposit with Keep track of your receivables. It's easy to lose track and then neglect to follow up on an overdue account. Experience shows that the longer you remain out of contact

with a customer, the less likely you are to recover the full amount owed, so if you can't take care of it yourself, hire someone to do it for you.

✓ **Producing timely and accurate short-to-medium-term cash forecasts.**

Using forecasting tools to enhance the company's liquidity management, financial control, cost control, and capital budgeting.

✓ **Managing your working capital.**

Your level of working capital is intimately related to the flow of cash into and out of your business. Simply stated, you need enough working capital to setup the business, pay operating costs, and continue to operate until payment arrives 30, 60 or maybe even 90 days later. But if you've used a lot of that working capital to pay for fixed assets, you may come up against a cash crunch that prevents you from paying suppliers, buying materials and even paying yourself a salary. It's a good idea then, to maintain a level of working capital that allows you to make it through those crunch times and continue to operate the business. Short-term financing such as a line of credit (LOC) can be used to make emergency purchases or to bridge the gap between month's-end payables and receivables. An LOC can be negotiated with your financial institution, and this should be done before any need actually arises. It's usually easier to negotiate an LOC when you don't really need one. A good time to go to your financial institution is immediately after the end of a good year or quarter. Bring your financial statements. In growth situations where you have to suddenly increase inventory that will be sold on credit, you may need to increase your working capital. Shareholders and other investors can sometimes provide this cash injection and financial institutions can also provide long-term financing for working capital. Large



asset purchases such as equipment and real estate should be financed long-term which allows you to spread the payments over the average life of the assets. Yes, you'll be paying interest but, you'll still have a big portion of your capital on-hand for business operations. And it's always a good idea to make a cash flow budget. Your bookkeeper, accountant, accounting software and even spreadsheets downloadable from the Internet can help you anticipate inflows and outflows of money over a period of time. Budgeting allows you to see when a cash crunch is likely to occur.

✓ **Manage the business risks.**

There are many risks involved in running a business, and serious challenges should be expected at some time in the future. You need to consider a number of scenarios such as "What if that big order suddenly comes in?", "What if that big order is cancelled?" or "What if that important client goes under owing me money?" This kind of risk analysis can become part of your cash-flow budgeting process. For instance, if you're using a spreadsheet to enter cash inflows, simply reflect that situation by adding or deleting. The repercussions in the weeks and months to come should be immediately visible, so that you can consider what you would do if that occurred. You can reduce the risk of cash-crunch due to this type of situation, by planning ahead and having a more diversified client base. If you're not dependent on one large order or client, your livelihood doesn't hinge on the health of someone else's business. Finding new clients will increase revenue, improve your cash flow situation and make you less susceptible to marketplace adversity. Another risk associated with running a business, especially among startups, is mix-ups between business and personal bank accounts and credit cards. Since initial financing often comes from the owner's personal savings it's easy

to see how that can happen. This situation has a simple remedy which consists of opening a separate bank account and credit card for the business. Your business account should be where you deposit customer cheques, draw your salary, and pay your employees and suppliers. Similarly, get a separate credit card for the business, make business-related purchases on that card, and pay for that card using your company cheques. Some credit cards provide management reports that detail the types of purchases made over the month and over the past year, and this type of information can then be used in your cash flow budget for next year.

✓ **Monitor your costs and your inventory**

Make sure you're getting the best possible deal from your suppliers. You can do this by shopping around and getting quotes from other suppliers. They may not be able to give a better price, but may be able to offer better payment terms making it easier on your cash flow situation. Analyze inventory turnover to determine which items are selling and which are duds, that are soaking up your working capital. Try to keep inventory levels lean so that your working capital isn't tied-up unproductively and unprofitably. It's a challenge for even the biggest firms: sustaining working capital while managing the flow of cash through the business. But there are ways to ensure that your operation makes the best use of its cash on-hand. They combine cash flow budgeting with the use of financial resources from outside your company.

## 2.3 CASH HOLDING

Allman-Ward & Sagner stated that, there are two primary strands of academic literature relating to corporate cash holdings. The first is concerned with cross – sectional differences and general descriptive statistics in actual cash holdings. The second analyzes the cash

management problems faced by a firm with both transactions and precautionary demands for cash holdings.

Although academic interest in corporate cash holdings dates back to 1945, it is generally sparse and mainly descriptive. Chudson (1945) studied the balance sheets of a cross section of industrial corporations in the 1930s. He found that as the size of the firm increased, the ratio of cash to total assets decreased but the ratio of government securities to assets increased. The result of this substitution of cash into near – cash securities was a finding of no monotonic pattern of the liquid assets to total assets ratio with respect to size. He also found that profitable companies had higher cash ratios than unprofitable companies.

Vogel and Maddala (1967) examine panel data from U.S. industrial firms. They provide a critique of the techniques and conclusions of previous work that was based purely on cross – sectional examinations. They argue that ignoring time-series data in examining cash ratios misses important dynamic components. They confirm Chudson's finding that as size increases, there is increased substitution of government securities for actual cash and that the ratio of total liquid assets to total assets increases. Finally, the time series component of their study shows that over time, the ratio of liquid assets to total assets has decreased on average. This is consistent with improvements in cash management and transaction payment technology leading to a reduction in the transactions demand for cash.

While much of the previous literature had focused on the transactions and precautionary demands for cash, Baskin (1987) takes a different approach. He develops a model in which liquidity is used strategically in an oligopolistic setting. He shows that firms can use liquidity to commit to fight entry quickly. His tests support the implications of the



model in that industries with more oligopolistic structures are characterized by larger liquid holdings.

John (1993) examines whether variation in the costs of financial distress can explain cross – sectional differences in liquid holdings. He uses research and development expenditures and assets specificity as proxies for the costs of financial distress. Her findings support the hypothesis that firms with higher costs of financial distress hold more liquid assets. She also finds some indications that firms substitute into alternative forms of liquidity, such as inventory and longer cash cycles (which implies high accounts receivable).

In a paper contemporaneous to this one, Opler, Pinkowitz, Stulz and Williamson (1997) examine the 1994 cross – section of industrial firms on Compustat. They find a negative relation between cash ratios and size and strong support for precautionary demand explanations of cash holdings. While the negative relation with size differs from previous literature, it is most likely due to the fact that they use regression frameworks that control for many factors while earlier work was primarily univariate. They repeat their tests on panel data for robustness. They also show that there is a mean reversion in individual firm cash holdings over time. They take that as evidence that firms have a target ratio around which they manage their cash holdings. Opler (1998), further argued that the main reason why firms experience large changes in excess cash is “the occurrence of operating losses”, and that there is no evidence that risk management and cash holdings are substitutes.

### **Cash Management Problems**

The other strand of literature with respect to corporate holdings of cash focuses on cash management. Much of this work was done in the 1960s, building on Baumol’s 1952 treatment of the cash management problem as an inventory management problem. Baumol

applied techniques developed for inventory optimization to the problem of covering transactions demand for cash in a deterministic environment.

Miller and Orr (1966) followed this approach in an environment with stochastic cash flows. In their model, the underlying problem facing the manager is to keep enough cash on hand to meet daily transactions demand, while minimizing the opportunity cost from not holding a return-yielding asset. Cash flows follow a random walk with a fixed jump size and an equal probability of going up or down. Their problem is concerned with two boundaries: an upper one that, if crossed, triggers a transfer out of cash and into an interest – bearing asset, and a lower one that triggers a transfer into the cash account. The lower limit is zero and the upper limit is determined by the parameters of the model. Their approach assumes the same fixed cost to a transfer in either direction and no variable transfer costs. Within this framework, any time a transfer is made in either direction, the transfer will be in an amount sufficient to return the cash balance to a pre-determined middle value. Cash is then allowed to wander again from there until it hits either bound and is reset. They derive the optimal average cash balance as a function of the variability of cash flows, opportunity cost of holding cash and transfer cost. Thus, the set – up and solution resembles an  $\{s, s, S\}$  inventory policy.

Miller and Orr built on their own work in a 1968 paper. They considered the sensitivity of their earlier results to particular assumptions, such as the symmetric Bernoulli process for cash flows, fixed transfer cost only, and a two asset environment. They show that with both fixed and variable costs to transfers, their model will produce two different return points, instead of the original single point. They also note that in this case, an analytical solution becomes intractable and turn to simulation to show that their earlier results were generally robust to this change.

Eppen and Fama (1968, 1969) first show that in the presence of both fixed and variable transfer costs, the optimal cash management policy will be of the  $(u, U; D, d)$  form, meaning that there is a lower boundary,  $u$ , and a lower return point,  $U$  and an upper boundary,  $d$ , and upper return point,  $D$ . they then show that analysis through simulation and linear programming techniques produces such an optimal policy.

Up through Eppen and Fama's work, all of the models had been discrete time with either deterministic cash flows (Baumol) or stochastic cash flows (Miller and Orr, Eppen and Fama). In 1972, Vial extended the analysis to continuous time with stochastic flows and showed that a policy of the form  $(u, U, D, d)$  is still optimal. Constantinides (1976) considered the problem in continuous time, assuming a solution of the form  $(u, U, D, d)$  and noting that the use of continuous time with cash flows governed by a Wiener process, allowed for analytical results.

Frenkel and Jovanovic (1980) also apply continuous time techniques to determine the optimal money holdings in the presence of both transactions and precautionary demands. They derive closed-form solutions for the optimum as a function of the interest rate, the mean and variance of net disbursements and the cost of portfolio adjustments. Further, they show that the solution derived from minimizing the net present value of cash Management costs is better than that derived from analyzing the steady-state.

Two papers have attempted to examine the valuation implications of cash management programs. Morris (1983) showed that cash management can be value-relevant if the costs of cash management and the return on the market are correlated. Borrowing to meet obligations can increase the systematic risk of the firm and holding large stocks of liquid assets can decrease this risk. Thus, cash management affects systematic risk and valuation.



Gilmer (1985) also looks at the relation between cash management and value by testing whether the market acts as if there is an optimal level of cash for a given firm. He estimates ex-post regressions of CAPM residuals on cash and cash squared. The estimates support the existence of a concave function between value and cash holdings, which he interprets as consistent with the existence of an optimal level of cash.

The cash management model presented here is similar to those described above. It is based on the assumption that cash is managed for transactions and precautionary purposes. It allows for differing fixed and variable transfer costs and produces a two boundary, two return point solution. Rather than assuming a specific functional form and cost parameters, I keep the form general, but still derive straight-forward time-series and cross-sectional predictions.

### 2.3.1 MOTIVES OF HOLDING CASH

In his influential work “The General Theory of Employment, Interest and Money” first published in the year 1936, John Maynard Keynes devotes one chapter to “The Psychological and Business Incentives to Liquidity” in which he elaborates on the motives for holding cash. He distinguishes between three different but interrelated motives: The ‘transactions-motive’, the ‘precautionary-motive’ and the ‘speculative-motive’.

#### 2.2.1 The transactions-motive

The ‘transactions-motive’ deals with bridging the gap between cash collections and disbursements. In this regard, Keynes differentiates between the ‘income-motive’ and the ‘business-motive’ which are subordinate motives to the ‘transactions-motive’. Both motives are based on a very similar principle but while the ‘income-motive’ deals with an individual’s cash holding behaviour, the ‘business-motive’ describes an enterprise’s motives. For the purpose of this work, only the latter is of importance. According to Keynes, companies hold



cash in order to “bridge the interval between the time of incurring business costs and that of the receipt of the sale-proceeds”. In other words: Companies hold a certain amount of cash in order to meet the regular expenses of their activity. Therefore, the higher the firm’s ability to schedule its cash flows -depending on their predictability – the weaker the ‘transactions-motive’ for holding cash will be.

### 2.2.2 The precautionary-motive

Keynes’ second motive, the ‘precautionary-motive’, pays regard to a company’s need to provide for unsuspected expenses and “unforeseen opportunities of advantageous purchases”. The strength of the ‘precautionary-motive’ is determined by the risk of a sudden contingency and the probability of a profitable acquisition. Thus, if a firm operates in a highly volatile sector of activity, its precautionary cash holding will be higher than that of firms which act in a less risky environment.

### 2.2.3 The speculative-motive

Keynes’ third motive refers to the holding of cash for the purpose of speculation. The ‘speculative-motive’ is based on the assumption that rising interest rates induce decreasing prices of securities and vice versa. Therefore, a firm will invest its idle cash in securities when interest rates are expected to decrease. This generates benefits for the firm because the prices of the acquired securities will rise as a consequence of the anticipated interest rate drop. Van Horne claims that companies do not hold cash for this kind of speculative purpose and it can be assumed that this estimation is valid especially for SMEs

## 2.4 CASH CONTROL

In an article by Tatum (2003) Cash control is a process that is utilized to verify the complete nature and accurate recording of all cash that is received as well as any cash disbursements

that take place. As a broad principle of responsible financial accounting, cash control takes place in any environment where goods and services are bought and sold. As such, businesses, non-profit organizations and households all employ the basic tenets of cash control. Cash control means competently managing all these types of financial instruments by maintaining an accurate tracking system that accounts for both receiving and disbursing the cash.

According to the Indian National Institute of Agricultural and Extension Management in their Business Plan (2008) “Cash control involves proper implementation of policies and procedures regarding inflow and outflow of cash. It includes short-term investment plans when cash is surplus and borrowing programmes during the days of cash deficit. Some cash management problems are:

- Controlling levels of cash; which involves preparation of cash budget, providing of unpredictable discrepancies and consideration of short cost
- Controlling inflows of cash; also involves ensuring no significant discrepancies between cash inflows and outflows
- Controlling outflows of cash;
- Optimum investment of surplus cash: refers to both the determination of surplus cash and the channels for investing the surplus cash.

Ann (2009) also opined that, some of the methods that will help an organization prevent losses due to human error or theft as: Monthly bank reconciliation, Segregation of duties over cash handling, accountability for cash shortages, authorized cash disbursement and Internal audits

## CHAPTER THREE

### RESEARCH METHODOLOGY AND BRIEF PROFILE OF THE COMPANY

#### 3.0 INTRODUCTION

This chapter describes the methodological approach used in gathering the data. The issues discussed are the sample of the study, the method and instruments used for the collection of data and data analysis techniques. It also presents a brief profile of the company and its activities.

#### 3.1 SAMPLING

The researcher chose Logs & Lumber Ltd. as a case study due to time and financial constraints as well as for convenience. Purposive sampling was used to select Ten (15) people. These included Key Management Members, Heads of Department; other members of staff and clients.

#### 3.2 DATA GATHERING INSTRUMENTS

The data gathering instruments used was face to face interview and structured interview guides and an application of the researchers work experience. In gathering data, the researcher placed emphasis on the functions of cash management and how cash is managed especially in the area of procedures for approval of expenditure, monitoring of expenditure relative to budget and for sanction of excess or unauthorized expenditure. In the area of revenue collection for example, contacts were with the cashier and some of the banks who serve as revenue collectors for the company and had a brief explanation as to the mode of revenue collection. This was made also by examining and analyzing the existing revenue records as well as reviewing the procedures involved in this area. In fact, the researcher did



this because of how sensitive it is to handle cash. The researcher studied available accounts files such as audited reports as well as the annual reports for 2004, 2005, 2006, 2007 and 2008 which were immediately available to acquaint myself with the state of affairs of the financial statements. The greater part of the work was done by conducting interviews among some selected officials in all departments. The interview was done in two folds, by personal administering of questionnaire and personal informal contacts with some selected Personnel in charge of handling and administration cash were intensively interviewed. Upon the above routing, the researcher was able to draw inferences from the general system of financial controls and to suggest certain laudable recommendations in addition to other views and opinions received from certain officials.

### **3.3 METHOD OF DATA COLLECTION**

Primary and secondary sources were used to gather data. Primary data according to Saunders et. al. (2003), involved formulation and administering of research questionnaire and personal interviews of some selected officials, followed by secondary extensive literature search and content analysis of official document of the company. It also included both raw materials and published summaries (Saunders et. al, 2003). The researcher conducted personal interviews with the people who matter as far as the cash management issues of the company are concerned. Other sources of data were the Books of Accounts, Financial Statements and other Records of the company as well as published books, published and unpublished electronic journals and articles.

### **3.4 LIMITATIONS OF THE STUDY**

The following are the limitations of the study on the cash management of Logs & Lumber Ltd.:



1. The research was conducted within the boundaries of Logs and Lumber Ltd.
2. The research was also limited to financial years of 2006 to 2009 performance of Logs & Lumber Ltd
3. The time period the study covered might be less
4. The analysis ignores the Time Value of Money
5. Bias may arise from poor sampling or if respondents feel that they should give a 'correct' reply rather than their real view.

### 3.5 SAFEGUARDS

In this study the problems raised above were addressed by:

1. Personally conducting the interview and in some instances explaining how beneficial the research is to the company. This was meant to encourage more respondents to respond.
2. Holding relevant discussions outside the interview guide. This provided the confidence that relevant issues are not escaped.
3. Offering the respondents the opportunity to request a summary of the results. This action was meant to encourage them to feel part of the project.
4. Assuring the respondents of confidentiality. This action was to encourage them to provide information as truthfully as possible.
5. Written records of the interviews were kept. This was to ensure that all relevant information was captured.

### 3.6.0 BRIEF PROFILE OF THE COMPANY

LOGS & LUMBER LTD, a free zone manufacturing company was incorporated as a private limited liability company on June 17, 1967 and commenced business on July 10, 1967. It was a sawmill purchased from Messrs Anglo African Timbers. The Directors initiated the installation of Veneer and Plywood Mills, which were completed in 1972. The expansion programme continue up to now where the company became the leading producer and exporter of wood products in Ghana. The company consist of Forestry, Transport, Engineering, Production, Administration, Export/Sales, Import and Accounts departments. The company is into the production of Lumber, Veneer, Mouldings, Finger Joints and Lamination,

#### 3.6.1 LOCATION

The headquarters of the company is in Kumasi on the Lake Road Industrial Area in the Ashanti Region of Ghana. It also has shipping offices in Takoradi in the Western Region of Ghana. The headquarters, which also houses the production units, is sited on a land of about ten (10) hectares.

#### 3.6.2 DIRECTORS

A three -member Board of Directors runs the company and is responsible for the long term planning and management of the company. The Board is made up of :

- a) William John Bitar (Owner and Shareholder/Director)
- b) Avedis Jeghalian (Managing Director/Director)
- c) Frank Addo (Director)

William John Bitar is presently holding 100% shares. The company has an employee population of 1420. The Managing Director, Mr Avedis Jeghalian, is responsible for the day to day running of the company. The Board meets quarterly to review and discuss policy, administrative and managerial issues pertaining to the running of the company.

# KNUST



## CHAPTER FOUR

### EMPIRICAL FINDINGS, ANALYSIS AND DISCUSSION OF RESULTS

#### 4.0 INTRODUCTION

This chapter discusses the findings, analysis and interpretation of the study. With the objectives of obtaining meaningful insight, this study conducted structured interviews with the management and staff of Logs & Lumber Limited which addressed the following four areas of interest.

4.1 Cash management “A perspective of Logs and Lumber Ltd.”

4.2 Functions of cash management in Logs & Lumber Ltd

4.3 Cash holding in Logs & Lumber Ltd.

4.4 Cash control in Logs & Lumber Ltd

#### 4.1 CASH MANAGEMENT “A PERSPECTIVE OF LOGS AND LUMBER LTD.”

The research confirmed the impression created earlier on by Larson (2000) that the concept of cash management is not a new phenomenon rather naturally; some management members believe this company has always considered how to manage its most liquid asset in order to survive in the business of timber. The General manager remarked that, in the timber business cash is king taking cognizance of the fact that it is very capital intensive and the returns might not so immediate. It was stated that the company has always been baffling with huge bills of overtime and bonuses every week not to talk about settling huge bills of suppliers and other operational expenses. In view of the fact above, all the stakeholders involved in the cash management of the company have been made to appreciate the sensitivity of managing cash, even though there is no law or regulation on this matter, the responses gathered shows that the issue of cash management is viewed across board as very important to the survival and



growth of the company. An observation of some reports emanating from the Accounts department shows that the management of the company on a day to day basis is involved in the planning, monitoring and management of the company's collections, disbursements, and account balances. The many responses indicate that the company stands to benefit through an efficient and effective cash system by way of improved liquidity and profitability, reduced risk exposure, efficiency in value chain and prevention of bankruptcy and solvency.

#### 4.2 CASH MANAGEMENT FUNCTIONS

The concept of cash management as gathered from the study is very crucial for the company. For this reason the cash management functions has been placed at the very heart of the management of the company, to this extent the primary cash management functions in Logs & Lumber Ltd. Cuts across the length and breadth of the organization but the key responsibility lies from the top, the Managing Director, the General Manager down to all the Heads of departments with special concentration on the Accounts Department because it falls under the core duties of the this department. The research found out that, as with many manufacturing companies, the operating cycle of the company consist of buying raw materials in the form of Logs, Glue, rubber etc, converting them into Lumber, Sliced Veneer, Mouldings and Finger joints etc. before selling these products to raise revenue and as a result some imbalances in cash inflow and outflow are created as portrayed by literature. In view of these imbalances management has placed concern on the cash flow of the organization giving it attention on a daily basis.

**Table 1 CASH POSITION**

YEAR	REPORTED CASH BALANCE (GH¢)	REPORTED OVERDRAFT BALANCE (GH¢)	NET CASH BALANCE (GH¢)
UP TO JULY 2009	450,055	6,133,887	(5,683,832)
2008	161,662	4,059,985	(3,898,323)
2007	133,466	1,656,655	(1,523,189)
2006	133,646	933,653	(800,007)

Source: Extracts of Balance Sheets 2006, 2007, 2008, 2009.

In reviewing the nature of cash flow from 2006 to August 2009, the company's cash overdraft exceeds its cash balance which depicts a negative cash flow situation due to the fact that the inflows are always short of the outflows consistently creating shortages of cash. This situation has been so because the company has a cash management system under which a cash overdraft exist for uncleared cheques in the company's primary disbursement accounts.

From the primary functions, the company has instituted other major functions as discussed below:

✓ **Accelerating Cash Receivable**

One of the vital elements of cash management which according to management, it upholds is to bill promptly for goods and services provided by the company and to also provide rapid collection of amounts due. Management belief, that through this action the amount of cash needed to conduct business is lessened and the need for company borrowing is reduced.

In line with the above, the company ensures that all request or orders from buyers are promptly invoiced before the goods are shipped. On this invoice is stated the volume and value of supplies as well as the cost of shipping (which is stated or not) depending on whether the contract is free on Board or plus Cost Insurance and freight (CIF). The billing is even more promptly relative because the Receipt of payments from most buyers are through either telegraphic transfer or letters of credit. In either situation, the copies or originals invoice bill of lading and other document are presented to the bank before the company can utilize the money. This of course is a pushing factor to billing buyers promptly. The company's invoicing system is a progressive one. But the issue with the billing is that it is the export department which prepares the invoices and sends copies to the accounts department.

One area of weakness the study revealed is the inadequate tracking of receivables, this it can be attributable to the fact that there exist little coordination between the export office who on their part keep track of receivables balances and the Accounts office who keep the ledgers for the buyers. The study revealed differences between the balances of Accounts Receivable kept by the export department and the accounts department.

Below are samples of debtors outstanding at 31<sup>st</sup> December, 2008 between export and Accounts Departments:

Customer name	Export Balance	Accounts Balance
Chabros (Beirut)	€219,429.61	€233,672.11
Sobhi Zaki	\$299,198.69	\$27,825.81
Valveneer	€2,144.40	€8,195.52
Panashwood	€10,408.20	€17,839.65
Somex	€16,293.22	€46,213.52

Source: Extracts from Books of Accounts 2008

It was also noted that there were credit balances in list of debtors, which meant the company owed those debtors. Again there seem not be any system or circularizing especially the foreign buyers. This clearly indicates that the company lacks in the tracking of receivables which has resulted not only in failure to collect cash quickly, but even loss of cash from Receivables. Collection from buyers even though is supposed to be prompt, below are average collection periods for the respective years.

Table 2 DAILY SALES OUTSTANDING, DEBTORS TURNOVER ETC

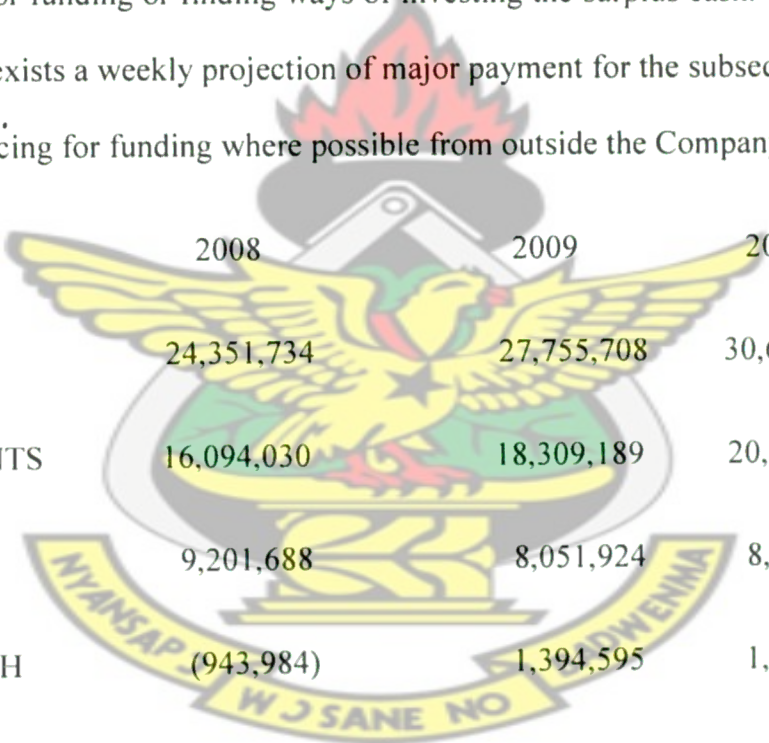
YEAR	2008	2007	2006
EXPORT SALES	26,152,272	19,732,043	16,415,485.59
LOCAL SALES	348,187	323,044	240,280.93
TOTAL SALES	26,500,459	20,055,088	16,700,034.75
DEBTORS	10,138,586	5,680,526	4,561,760
DAILY SALES OUTSTANDING	138 days	103 days	99.7 days
DEBTORS TURNOVER	2.61 times	3.53 times	1.47 times

From the above data, it can be said that the company’s collection period is increasingly growing longer and a corresponding low debtor turnover gives an indication of poor management of Accounts receivables, contrary to an equally growing need for cash to run operations.



### ✓ Forecasting the cash position

The company has establishment a system of forecasting its cash position namely, a projected cash flow statement. This cash flow statement is usually prepared to cover a rolling three year period in advance. This annual projections is broken down into a monthly cash flow and the monthly cash flow is used as the basis for monitoring actual performance. The cash flow projections covers the projected cash flows and outflows over the concerned periods, and these are based on the expected sales from both local and export representing the inflows, and the expected recurring expenditure representing the outflows. The difference between the two gives an indication of a cash requirement or the possibility of excess cash, serving as a basis for either seeking for funding or finding ways of investing the surplus cash. Moreover, on a weekly basis, there exists a weekly projection of major payment for the subsequent week serving as a basis of sourcing for funding where possible from outside the Company.



YEAR	2008	2009	2010
RECEIPT	24,351,734	27,755,708	30,622,216
RECURRING PAYMENTS	16,094,030	18,309,189	20,888,343
OTHER PAYMENTS	9,201,688	8,051,924	8,294,760
EXCESS/DEFICIT CASH	(943,984)	1,394,595	1,439,113

Source: Extracts from Cash Forecast 2008

### ✓ Managing your working capital

The management of the company confirmed mentioned in the literature that the level of a company's working capital is intimately related to the flow of cash into and out of the

company, but it was found out that an appropriate balance of the type of funds should be used to finance fixed assets as against working capital is a critical decision to make when managing working capital. The study revealed that the timber business requires huge investment of cash in both fixed Assets and working capital; hence the management of the company finances its fixed assets through loans facilities and the recurring expenditure through overdrafts. A review of the account's shows that, the Company, from 2002 to date, has taken several loans to finance its slicer machinery, purchase caterpillars, bull dozers etc.

But the difficulty has always been with the financing of its recurring expenditure like weekly overtime, purchases, payments to suppliers etc. Fortunately, the company has several overdrafts facilities with Stanbic, Barclays, Standard Chartered and very recently, Amalbank. These banks provide the overdraft facilities for the company. The company overdraws its accounts to the extent that it mostly finds it difficult to pay salaries on time, and even when the banks agree to continue to honour the cheques in excess of the facility limit these excess withdrawals attract huge penal rates, it was therefore noticed that the management of the company goes through a lot of negotiations to secure finance for these expenditure in its usual cash crunching times.

#### ✓ **Managing Business Risks**

Undoubtedly, the management of the company confirmed that there exist money risk involved in the timber business and therefore serious challenges erupt which are given peculiar attention to avert any effect on the operations of the company. It was observed that even though the company has no stream lined risk management procedure, partly because it has a wide customer base not reliant on few buyers. This therefore reduces the risk cash crunch due to over reliance on few buyers however management embodies this risk analysis

in the forecast of inflows. In view of this, there exist a report emanating from the export office to management on a daily bases giving information on the new supply contracts gotten, the outstanding letter of credits and transfers expected this management noted helps them to find answers to the what if questions likely to arise.

Management also noted that the what if analysis is factored into thee Projections being made, so if there exist an expectation of either a rise or fall in receipt of payments, these are adjusted in the projections. The function of managing risk is more imperative, in view of the fact that the company is export based hence may be exposed to global commercial risk, interest rate risk and commodity risk. Meanwhile, sight should not be lost of country risk which is even more immediate hence can easily felt.

#### ✓ **Monitoring of Cost and Inventory**

The Company has an established system of monitory its cost through a system called “Balancing Reports”. This is daily report submitted by the accounts office to management at the close of each day capturing the daily receipts and expenditure captured under various major headings. This report compares the budgets and actual of the these major expenditure headings and the actual are being recorded daily which accumulate at the end of each much and is being compared with the budget both stated on the same spreadsheet, stating any variance occurring. These serve as a guide for management to know where how its liquid cash flows. This specific report is known as the weekly report again this Balancing indicates on a daily bases the various balances standing on the various bank accounts of the company with their respective limits (if any). This report is called the Daily balancing summary and this same report gives an indication of the inflows and out flows passing through these banks.



In fact, the balancing report also shows on a daily basis, the cash position of the company, informing management on how and to which bank it should write its cheques to everyday. This is also a guide to management on how to move funds around its various bank accounts to optimize the management of the corporate cash. On the other hand, management of the inventory in this company is not that good.

#### ✓ **Managing Banking Relationship**

A discussion with the Managing Director and the General Manager reveal that the one of the strong tools used by the Company to secure sufficient borrowing capacity has been the company's ability in arranging with the banks to borrow both short term and long term financing in a timely and cost effective manner. However, the question of these facilities being cost effective as stated by Management has been looked at in detail analyzing the interest cover and quantum of bank charges over the last 3 years as follows:

An analyses of the trade off between the level of service, timeliness and cost control by the company shows that, the company enjoys high level of service, because of the works the company has with most of the banks. Almost all banks are willing to deal with the Logs & Lumber Ltd. One sterling advantage the company has is the fact that the company's sales figures are very huge coming with foreign exchange advantages especially where the Ghanaian cedi is depreciating. Another advantage is also because the company keeps faith with the terms and conditions even though may be very harsh.

#### ✓ **Managing Information**

The use of technology in the circulation of information within and outside the company is one of the cash management functions established by the company. In line with this the company has an IT department that has developed a Human Resource Management Program



for the management of the company's Payroll, there is also a log yard operations program, and another program has been developed for transport-activities. The company also uses ACCPAC Enterprise Reporting Program for its Accounting. With the software the other departmental programs are supposed to be linked up to this, to form an information data bank from which all departments can feed into and make decisions. Unfortunately, only the Payroll and the Accounting Software's have been linked up. But currently, there is an ongoing computerization of the various stores starting with that of the transport and it is hopeful that this when completed will result in a full Enterprise Reporting Program.

#### 4.3 CASH HOLDING

This study analyses the cash management problems faced by Logs & Lumber Ltd with the relevance to the reasons of holding cash in Logs & Lumber Ltd. This is more relative to the second strand of the two primary strands of academic literature relating to corporate cash holding being discussed in the literature review. The information gathered from the research indicate that the reasons for this company holding cash is varied, ranging from transaction purposes, precautionary and speculative as discussed as follows:

##### **1. TRANSACTIONARY PURPOSES**

The General Manager disclosed in an interview that one of the main reasons for holding cash is to bridge the gap between the time incurring business cost and that of the receipt of the sale proceeds, so that the company can meet its recurring expenditure as and when they fall due. a greater percentage of the Heads of department running petty cash confirmed this assertion. An analysis of the daily receipts and payment expenditure reports shows that huge sums of money are incurred on a daily basis. E.g. can be mentioned of Fuel and Lubricants, payroll cost, vehicle maintenance, Plant maintenance etc. see Appendix.... For a copy of example of

a weekly report issued to management on a daily basis. However the respective cash inflows mostly delay before they are received. This is in tandem with the literature mentioned earlier on.

## **2. PRECAUTIONARY**

The General Manager made a point that the company needs money to take care of unforeseen contingencies that may arise. However, taking respect of the liquidity position of the company they rarely set aside money for this purpose because the transactions requirements for cash has even forced the company to run overdraft balances on many of its current account balances.

## **3. COMPENSATING PURPOSES**

He further added that one key reason has to do with the need for the company to avert the huge overdraft balance on its accounts if not to at least operate within the overdraft limits on all its overdrawn current account balances. This is more relative to the Weston & Copeland's compensating motive of holding cash. However, this is opposite to the purposes of the compensating as discussed in the literature review.

## **4. SPECULATIVE PURPOSES**

It was observed that just rarely does the company maintain a cash balance for this purpose so it does for the speculative purpose.

Generally, General Manager indicated for what ever purposes a business can not run without having some cash reserve but in the field of timber it becomes very difficult have huge cash balance.

#### 4.4 CASH CONTROL

The study found out that there exist a cash control in the company and many of the managers acknowledge the fact that the issue of cash control is at the heart of the management of the company. The researcher gathered the way cash control is reflected in the in the operations of the company and can be discussed as follows:

- Controlling Levels of Cash

The management of the company has instituted a mechanism for controlling the level of cash especially when the company, it was observed operate several loans and overdrafts. Below are the major procedures established to achieving this objective:

##### **a) Preparation of Cash Budget:**

The company prepares cash forecast as noted earlier on, which serves the purposes of a cash budget. This cash budget covers the expected inflows and outflows of cash over a rolling period of three years. Hence, at the expiry of every year the three year budget is adjusted. The cash budget covers the recurring receipts and payments of the company and the build up consist of the actual expenditure for the immediate past year plus an adjustment made for the expectations of the ensuing year. The whole three year forecast is then broken further into monthly, and weekly forecast. This weekly forecast is the matched against the weekly actual in a report called “Weekly Report” see Appendix....

Variances (if any) are looked into and being monitored every day at the close of work.

##### **b) Providing for unpredictable discrepancies:**

The company does not provide for unpredictable discrepancies on account of unforeseen circumstances such as short term recessions, strikes, and floods etc in the



cash budget as noted in the literature review. In view of this the recent global recession did affected the company in terms of sales and profitability. Meanwhile, contrary to literature no minimum cash balance was reserved for these purposes.

**c) Consideration of short costs:**

The study revealed inadequate consideration of the short cost in the business, the company in an attempt to source funds for its recurring expenditure bothers more about the need meeting these needs and does not care much about paying for high borrowing cost, very confident that, the margin of sales will be huge enough to wipe off this effect. Hence not much of a problem is faced by the company in terms failure to meets its obligation especially in the face of its creditors.

**d) Availability of other sources of funds:**

The company has adequate arrangement with its bankers such that it does not need to keep unnecessarily high cash balance to take care of its contingencies. However because of the adequate borrowing arrangement, even the regular operating cost is funded by overdraft and loans. In view of this, the company mostly exceeds its overdraft limits which attract penal interest rates.

- **Controlling inflows of cash**

In spite of the fact that the General Manager who doubles as the Financial Controller is responsible for cash management hence controlling of cash inflow of cash. But the General Manager performs this function in consultation with the Chief Accountant who prepares everything. The company has established a daily reporting scheme namely Daily Balancing Report as discussed earlier. The source report and weekly report section of the Balancing report give a summary of the cash flows and how the daily figures add up to a weekly report



from which a comparison of the actual cash flows against budgeted are shown and any variances investigated into. This in many respects serves as a controlling measure for not only cash inflows but cash outflows too, as well ensure that not much difference exist between cash inflows and outflows. The following techniques may be used to speed up Accounts receivables.

**(i) Concentration Banking:**

The company does not have branches spread across Ghana. It has only one subsidiary operating in Liberia, therefore the principle of concentration banking is not relevant. However, the only relevant dimension of this principle is the fact that the a greater percentage of the company's cash receipts are made through telegraphic transfers, which accelerates the collection of receivables.

- **Control over cash flows**

It can not be denied that the control over cash inflows aimed at maximising the acceleration of receivables is basically different from the control of cash outflow which is also aimed at slowing down cash disbursement in Logs and Lumber Ltd. As noted in the literature review. It is also the case that an effective control of cash disbursement can lead the company conserving cash and avoiding financial requirement. The following can be looked as techniques to control disbursement:

- a. The system of disbursement is not as centralised as described in the literature because it is more relative to the banking industry but in Logs and Lumber the disbursement function is surrounded a chain of controls described as follows:

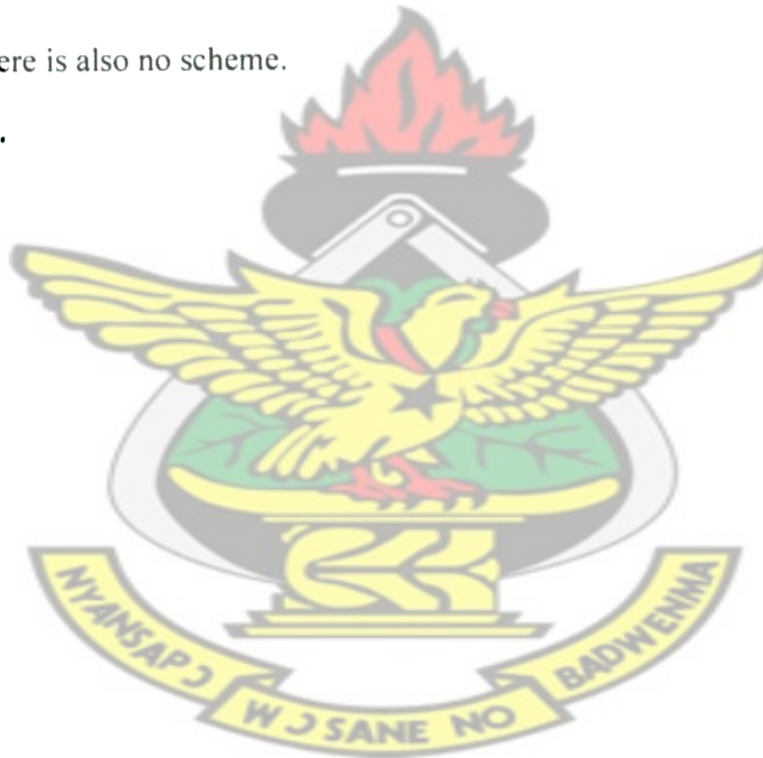
1. All major payments are first of requested by the Heads of Department to the Chief Accountant, Managing Director or General Manager. All the relevant documents (if any) are put to the General Manager, who intend submits it to the Managing Director for discussion and approval. All approved payments having supporting documents or by instructions are compiled into one schedule called the payment schedule, this is then submitted to the Managing Director through the General Manager who vets them, for approval. Then all approved payment are then requested on a payment voucher called cheque requisition raised together with a cheque and signed by the Chief Accountant, who then sends it to the General Manager and the Managing Director who are the signatories to the Bank Accounts. All signed cheques are then registered in a cheque book list and handed over to the Bank clerk who signs the book to confirm receipt of the cheques before taking off to bank.
2. The company operates petty cash for Administration, Bush, Transport, Engineering and one main safe for the General Manager. These have been established to take care of petty cash disbursements. How ever, these petty cash have no ceiling, and the chief Accountant explained that it is due to the unpredictable and frequent nature of the expenditure, it is difficult to fix a ceiling but a no petty cash can pay one transaction valuing more than One Hundred Ghana Cedis, except the main safe controlled by the General Manager.
- b. The company's Accounting software has a facility for Ageing Debtors and Creditors and therefore specifies the due date of payments. However as a

way of delaying payments the company does not pay according to the due dates.

- c. The business is very much involved in “playing float” in order to maximize funds.

- **Optimum Investment of Surplus cash**

It was stated earlier that, the company rarely keeps cash for the sake of investment but an analysis of the Financial Statement shows that a number of investments have been under taken but these are long term or permanent investments not short term. In view of this, even though the company through its daily balancing determines the amount of surplus cash. Most often done not as reflected in its source report, has deficit to contend with. There is also no scheme.



## CHAPTER FIVE

### SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

#### 5.0 INTRODUCTION

This chapter presents the discussions as follows:

5.1 Summary of findings from the empirical study

5.2 Summary of Recommendations

5.3 Conclusions reached there from.

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#### 5.1 SUMMARY OF FINDINGS

A summary of the findings that have been reached can be discussed as follows:

##### **Cash Management “A perspective of Logs & Lumber Ltd.”**

- The study underscores the point that the issue of cash management is seen as very crucial for the survival and growth of the company, as a result management has given a prior attention by way of establishing a scheme to monitor cash flow on a daily basis.

##### **Cash Management Functions**

- One of the findings reviewed in literature that this research confirmed is the fact that, the company being a timber manufacturing set up experiences an imbalance in its cash inflow and outflow as the company goes through the operating cycle, as most businesses experience. This imbalance, taking respect of the operating cycle



of the company has put the company in a negative cash flow position; the resultant effect is excessive borrowing cost.

- Improper tracking of accounts receivables came as a major cause in the failure to collect cash quickly. Also there is an increasing trend in the value of Accounts Receivables over the past three years, giving an indication of some working capital tied up in Receivables.
- It was also revealed that even though the company has a good system of forecasting its cash position, the reality is that the company always depends heavily on overdrafts to solve its negative cash position.
- Another finding was that the company in spite of its negative cash position has a fairly good current ratio an indication of good liquidity due to the fact that a lot of these borrowing have been pushed into working capital especially inventory. Hence, the position of an increasing poor quick ratio. Inventory tracking it was observed was poor, but measures are being taken currently to improve it.
- A scheme set up to monitor cost on a daily basis has not prevented company from incurring the high levels of expenditure characterizing the timber business but only seek to minimize it.
- Management of working capital: In view of the demands for working capital, the company has always relied on Lines of Credit from the banks to invest in not only working capital but in permanent capital.
- Meanwhile the company can be said to have a very reputable demeanour in the eyes of the banks, hence are able to link up with any bank to do business. This

also has given the company some borrowing reserve capacity, but the questions remain how long the company can depend on this and what are the consequences.

- The company even though has an Enterprise Reporting Programme, which is suppose to facilitate free flow of information within the organization and provide a plat form to sharing information has not fully been achieved, since the currently has linked up all segments yet.

### Cash Holding

- The company needs to hold some cash for all the purposes discussed earlier, however the companies current position caused by a huge demand for cash for transactions purposes has put the company in a tight corner such that very minimal cash balance are being held.

### Cash Control

- The company has put in place some internal control checks on receipt and disbursement of cash, and management continuously plans a head of time, its cash requirement and the company has over the years succeeded in borrowing loans and overdrafts to fund its cash requirement because of its goodwill with the banks. But this makes the management fail to consider the short cost attached to this borrowing.
- The company because of its negative cash position rarely keeps surplus cash to invest. However a perusal of its accounts shows that some capital investments have been carried out on behalf of the director and others are aimed at expansion.

- Generally, it was noticed that the Logs & Lumber Ltd. Is showing signs of overtrading because, its performance shows a sharp increase in sales, Accounts receivables and stocks and a corresponding increase in accounts payable, bank loans and overdrafts.

## 5.2 SUMMARY OF RECOMMENDATIONS

The following recommendations can be made by the researcher based on the major findings of the research as follows:

### Cash Management “A perspective of Logs & Lumber Ltd.”

1. It is recommendable that the company has taken the issue of cash management as very important, and management should draw a cash management policy which will serve as a guide on planning and decision making on cash matters.
2. It is recommendable that management sensitizes the entire work force, especially the key players in the cash management of the company, concerning cash management issues. This can be done through seminars, workshops etc. on a monthly or quarterly basis.
3. The company being privately owned lacks the investments from equity, and over reliance on debt has made the company highly geared, this makes the company very risky and a strong reason why many timber companies have folded up. It will therefore be recommendable that the company should get listed or float shares to boost its sources of funding.

### Cash Management Functions

1. Management should consider creating coordination between the various departments especially, between the Export and Accounts department. This can be done by of

creating an internal check between the concerned sections so proper tracking of Receivables can be obtained.

2. Reduce the debtor credit period, which for the past three years has been on the ascendancy. This can be done by making new customers aware of their terms and be careful not to relax terms to gain new business. For existing customers, because the company has been reputable to them, the company can afford to insist that they pay on time.
3. One of the crucial solutions to the cash management problems has to do with cost, management will need to embark on a very serious cost reduction strategy, part of the things to do is to strengthen some of the physical controls involved in the receipt and disbursement of cash.
4. A key area of the cost reduction is the borrowing cost of the company, management should cut down the number of bank accounts, especially the dormant ones that continue to attract service and other monthly charges. A lot of the overdrafts should be negotiated with the banks to be converted to Loans which will result in lower interest rates. The various overdraft limits appears to be low and management should negotiate with the banks to increase the overdraft limits.
5. The efforts towards ensuring that the ACCPAC ERP program is fully utilized to enable the company bring on all the departments to share into one pool of data , is highly recommendable. Again the efforts to computerize the various stores is also very laudable, so that procedure should be enforced to ensure that there is proper tracking of inventory and reports submitted to management to guide themselves as to management of inventory to avoid too much cash tied up to inventory.



## Cash Holding

Management has to build some optimum cash balance in some of its current accounts so that the over dependency on overdrafts will be reduced.

## Cash Control

- Reduce significantly the inventory of finished goods held, too much investment of cash into inventory should be controlled. There is no work-In-progress in the balance sheet which means the production period is minimal, hence it should be feasible to operate a Just-In-Time systems for finished goods. If management feel this is too extreme then the finished goods holding period should be reduced considerably.
- It will be recommended that because of the wide nature of operations with the attending wide cash management scope, an internal auditor or department should be put in place to serve as a check or control of not only cash management issues but other relevant matters.
- The petty cash system needs review, because as it is now without any ceiling, there is an increasing propensity to spend, if only it can be justified. This really is part of the reasons why the company incurs high expenditure.

## 5.3 CONCLUSIONS

The issue of cash management is undoubtedly very crucial for the survival of any timber manufacturing company, because of the huge demand for cash in the operating life cycle of any typical timber manufacturing company .The cash management function of the company needs a critical review and restructuring because, this has placed the company in a negative

cash position. The company has a very good banking arrangement in place but excess use was made of the opportunity and therefore the company was corned to indulge in overtrading. This has raised concerns about the company's ability to sustain and develop from the tempo of the excessive loans and overdrafts hanging on its neck.

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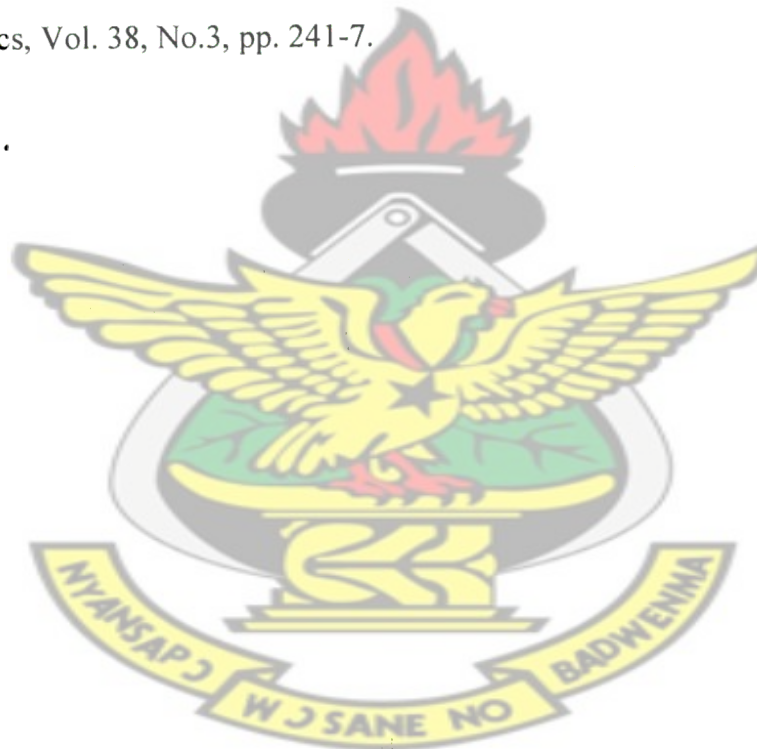
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## BALANCE SHEET

## APPENDIX 1

	31/12/2008	31/12/2007	31/12/2006
	GH¢	GH¢	GH¢
<b>FIXED ASSETS</b>	<b>12,567,210</b>	<b>7,841,216</b>	<b>6,406,644</b>
<b>INVESTMENTS</b>	<b>22,453</b>	<b>22,454</b>	<b>16,999</b>
			<b>6,423,643</b>
<b><u>CURRENT ASSETS</u></b>			
Stocks	5,700,795	3,885,793	3,068,365
Accounts Receivable	10,138,586	5,680,526	4,561,760
Taxation	50,059	50,059	50,059
Bank & Cash Balances	161,661	133,466	133,647
<b>Total Current Assets</b>	<b>16,051,102</b>	<b>9,749,844</b>	<b>7,813,831</b>
<b><u>CURRENT LIABILITIES</u></b>			
Bank Overdrafts	5,251,182	1,656,655	933,653
Accounts Payable	1,464,162	1,086,820	554,017
Taxation	-	-	0
Bank Loans	6,964,651	5,632,043	4,905,773
<b>Total Current Liabilities</b>	<b>13,679,995</b>	<b>8,375,518</b>	<b>6,393,443</b>
<b>NET CURRENT (-LIABILITIES) ASSETS</b>	<b>2,371,106</b>	<b>1,374,326</b>	<b>1,420,388</b>
<b><u>DEFERRED LIABILITIES</u></b>			
Bank Loans	4,136,368	3,453,519	3,002,676
<b>Total Deferred Liabilities</b>	<b>4,136,368</b>	<b>3,453,519</b>	<b>3,002,676</b>
<b><u>NET ASSETS</u></b>	<b>10,824,402</b>	<b>5,784,477</b>	<b>4,841,354</b>
<b>REPRESENTED BY</b>			
Stated Capital	170,000	170,000	170,000
Capital Surplus	835,161	835,161	835,161
Undistributed Profit to 31/12/2007	4,779,316	4,779,316	
Profit for Year to Date	5,039,925		3,836,194
	<b>10,824,403</b>	<b>5,784,477</b>	<b>4,841,354</b>

MANAGEMENT ACCOUNTS (FINANCIAL STATEMENT FORMAT)

	<u>Profit and Loss Account</u>		
	<u>31/12/2008</u>	<u>31/12/2007</u>	<u>31/12/2006</u>
<b>Sales</b>		<b>19,969,860</b>	<b>16,700,035</b>
	<b>26,331,905</b>		
<b>Cost of Sales</b>			
Sawmill Operations	7,447,252	5,204,311	4,660,685
Plymill Operations	3,598,285	3,672,674	5,390,504
Engineering	2,657,653	1,715,564	1,378,960
	<u>13,703,189</u>	<u>10,592,550</u>	<u>11,430,148</u>
<b>Expenses</b>			
Selling	1,423,517	993,848	1,001,654
General & Administrative	3,161,421	2,612,971	2,186,992
Financial	3,279,783	1,004,145	824,258
	<u>7,864,721</u>	<u>4,610,964</u>	<u>4,012,904</u>
<b>Net Operating Profit</b>	<b>4,763,994</b>	<b>4,766,346</b>	<b>1,256,982</b>
<b>Investment Income</b>	<b>15,465</b>	<b>11,084</b>	<b>7,920</b>
	<u>4,779,460</u>	<u>4,777,430</u>	<u>1,264,902</u>
<b>Corporate Taxation</b>	-	-	-
<b>National Reconstruction Tax</b>	-	-	-
<b>Under/Over Provision of Tax</b>	-	-	-
<b>Net Profit after Taxation</b>	<b>4,779,460</b>	<b>4,777,430</b>	<b>1,264,902</b>
<b>Profit on Sale of Assets</b>	<b>5,098</b>	<b>145,376</b>	<b>116,600</b>
<b>Profit(-)/Loss on Exchange - Realised</b>		<b>73,167</b>	
<b>Sundry Income</b>	<b>255,368</b>	<b>85,228</b>	<b>44,268</b>



# APPENDIX

## APPENDIX 3

YEAR	2009	2008
<b>Standard Chartered Bank</b>	<b>Cashbook Bal.</b>	<b>Cashbook Bal.</b>
¢ Current Account	(3,004,846)	(1,529,263)
Current A/c2 Cedi	179,585	(127,000)
EU PSA Account	-	-
NEW EU PSA Account	(1,000,000)	(1,000,000)
EU Retention Account	(660,483)	(364,152)
\$ Account	(367,687)	48,353
£ Account	2,689	4,460
\$ Discounting Account	-	-
<b>Barclays Bank</b>		
¢ Current Account	(307,383)	(300,423)
EU PSA Account		
Euro Discounted Bills a/c	(1,298,347)	(1,054,969)
\$ Account	134	1,800
\$ Discounted Bills a/c		
£ Account	513	513
<b>SG-SSB</b>		

<b>SG-SSB Cedi Account</b>	5,085	1,645
<b>SG-SSB EU Account</b>	455	455
<b>SG-SSB \$ Account</b>	411	411
<b>Ecobank</b>		
<b>Current A/c Cedi</b>	2,277	2,926
<b>Current A/c Cedi-Accra</b>		
<b>\$ Account</b>	1,953	2,503
<b>EU Account</b>	864	827
<b>Stanbic</b>		
<b>Current A/c Cedi</b>	(607,459)	(690,215)
<b>Current A/c Cedi 2</b>	26	764
<b>US \$ Account 1</b>		
<b>US \$ Account 2</b>	(8,971)	5,180
<b>EU Current Account 1</b>	-	24,409
<b>EU Current Account 2</b>	944	(408,830)
<b>£ Account</b>	73	82
<b>£ Account A/C 2</b>	772	66
<b>Merchant Bank</b>		
<b>Current A/c Cedi</b>	81	81
<b>EU Current Account</b>	-	-

<b>Ghana Commercial Bank</b>	332	332
<b>1st Atlantic Bank EU A/c</b>		
<b>1st Atlantic Bank</b>	38	38
<b>Zenith Bank</b>		
<b>Current A/c Cedi</b>	310	310
<b>US \$ Account 1</b>		
<b>US \$ Account 2</b>		
<b>EU Current Account 1</b>	-	-
<b>EU Current Account 2</b>		
<b>£ Account</b>		
<b>£ Account A/C 2</b>		
<b>AMALBANK</b>		
<b>Cedi Current A/c</b>	(198,367)	8,556
<b>US \$ Account</b>	489	(2)
<b>US \$ Account #2</b>	974	5,739
<b>EU Current Account</b>	187	
<b>EU Current Account 2</b>	19,398	
<b>EU LC DRAWING Account</b>	(62,000)	(257,490)
<b>EU LC DRAWING Account # 2</b>	(153,599)	

SCB L/C DRAWING €	(45,282)	(187,769)
SCB L/C DRAWING €	(87,000)	(225,759)
SCB L/C DRAWING €	(23,487)	(49,975)
SCB L/C DRAWING €	(184,268)	(300,000)
<b>TOTAL</b>	<b>(340,037)</b>	<b>(763,503)</b>
SCB L/C DRAWING \$	(225,759)	
SCB L/C DRAWING £	(49,975)	
SCB -Short Term Loan (Limit 6B) - €	(300,000)	
<b><u>Loan Accounts</u></b>		
<b>Standard Chartered Bank</b>		
\$ Term Loan	-	-
\$ Loan 2	-	-
\$ Loan 3	-	(400,000)
<b>SCB MEDIUM TERM LOAN (LIMIT 8) € 2M</b>	<b>(1,333,328)</b>	<b>(1,944,444)</b>
<b>Barclays Bank</b>		
<b>BBG Euro Loan</b>	<b>(1,171,721)</b>	<b>(1,581,830)</b>
<b>Total BBG Euro Loan</b>		<b>(1,581,830)</b>



SG-SSB Euro Loan	-	-
STANBIC L/C DRAWING €	-	1
STANBIC SHORT TERM LOAN €	-	2
Stanbic Bank EU Loan	-	(37)
Stanbic Bank EU Loan Consolidated	(2,280,972)	(1,680,596)
Stanbic Bank EU Loan-New(Recond.Slice Veneer Mach.)-2nd Payment	-	
Stanbic Bank EU Margin Loan		
Total Stanbic Euro Loan	(2,280,972)	(1,680,630)

