

APPROVAL FORM

The undersigned certify that they have supervised that the student **Melisa C Mukandi's** dissertation entitled :**An assessment of cash flow management :A case of Premier Tobacco Auction Floors**, submitted in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree at Midlands State University.

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**DISSERTATION TOPIC : An assessment of cash flow management: A case of Premier
Tobacco Auction Floors.**

DEGREE PROGRAMME : Bachelor of Commerce Accounting Honors Degree

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Date : September 2014

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Lastly and most importantly all the praise and glory goes to our father in heaven for allowing all these events to happen. Thank you Lord for I live because you want me to.

Dedication

I dedicate this dissertation to my mother, Ms. P Deda with love, always!!

ABSTRACT

Premier Tobacco Auction Floors is a newly established company in the Zimbabwean Tobacco Industry. The industry has high revenue generation because agriculture generally plays a big role in Zimbabwean economy. The Tobacco is sold between February and August and it is during this time that the company makes the bulk of its proceeds in a year .The company faces problems in handling and distributing this vast amount of cash and sometimes there is mismanagement of cash. By the time the tobacco selling season ends , the liabilities will be too unbearable for the low turnover offseason period .This mismanagement has resulted in high creditors figures ,loss of customers and necessary losses in lawsuits.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter outlines the background of the study which would be bringing out the story behind the problem. This would be followed by the statement of the problem that has been cited to have been existent at the company in question .The main research questions will follow then sub research questions and the research objectives afterwards. Justification of the study, delimitations, limitations and assumptions will follow and then the abbreviations and a summary will round up the chapter.

1.1 Background of the study

Premier Tobacco Auction Floors is a small to medium scale company that is in the Zimbabwe Tobacco industry incorporated in 2011. The company is an agriculture based company for the purpose of providing the intermediary service of tobacco auctioneering.

During the auction approximately 90 000 farmers visit the floors each year and other activities take place besides the auction. Among these are retailing, selling of food and beverages through the bar, canteen and kiosk. The tobacco selling period is just approximately five months long but during this time a lot of transactions will be occurring concurrently with up to \$120 000 cash sales being banked everyday.

The retail shop sells agricultural equipment as well as groceries and other household goods most of which are on consignment. The canteen makes food items for farmers to buy. These are priced and sold at a profit. At the same time bar stocks up beverages and sell them to farmers.

Due to all these activities, the company accumulates lots of creditors through hooding goods for resale and buying ingredients to make food items. Retail creditors include consignees who would be expecting a return from the goods sold on their behalf. Bar and canteen creditors include suppliers who supply on credit. Auction floor creditors are the individuals and companies that would have sold their tobacco through PTAF and would be awaiting remittance. Most creditors have a maturity of 7days but most of them overlap up to months before they get their proceeds.

Table 1.1 trade payables trend

	31 Dec 2012	% to total liabilities	31 Dec 2013	% to total liabilities	30 Jun 2014	% to total liabilities
Retail	\$110 000	13	\$138 000	12	\$212 000	24
Bar/canteen	\$18 000	2	\$24 000	2	\$21 000	2
Auction floor	\$201 000	25	\$181 000	15	\$153 000	17
Total creditors	\$329 000	40	\$343 000	29	\$386 000	43
Total liabilities	\$845 000	100	\$1 200 000	100	\$900 000	100

Source; PTAF Monthly management packs

The table shows that during the past financial years, creditors have been making up to 43% of the total creditors which is very material. Most of these creditors are carried over from one financial year to the next .The trend is usually that there are fewer creditors at the beginning of the season and an increase in these is noted at the end of the season right throughout the off season period.

On the statement of financial position, creditors have been taking the bigger share of liabilities, with the SFP for 31 December 2012 having total liabilities of \$845 000 and that of 31 December 2013 having \$1 200 000 and creditors are 40% and 29% of the total liabilities for the years respectively. This is very material and shows that creditors makeup a reasonably big part of liabilities.

Management is concerned of this issue and this is noted by the mention of an effort to reduce the creditors before the beginning of the 2014 season. This was said in a shutdown management meeting, December 2013 when the MD said “...efforts are to be made to reduce our creditors before the start of the 2014 selling season so that we do not carry over much debt and strain our cash flow.”

Table 1.2;company cash positions on different dates.

	2012		2013		2014	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	
Cash and cash equivalents	\$990 000	\$450 000	\$1700 000	\$1100 000	\$2 500 000	
Provision for trade payables	\$120 000	\$270 000	\$213 000	\$343 000	\$380 000	
Percentage of trade payables to cash and cash equivalents	12%	60%	13%	31%	16%	

Source; PTAF bank statements and SFP

There is a substantial amount due to creditors at the end of a financial period in relation to the master budget position which aims to clear trade payables at the end of the period. The 31 December 2013 percentage to cash and cash equivalents is lower than that of 2012, does not indicate an improvement of the situation but that more cash was available in 2013. The payment of creditors adversely affects the cash flow of the organization especially in the off season period as there would not be many cash generating activities. There is a drastic decline of cash during the off season period and part of this is attributable to paying up creditors who would have nagged the company for long. This usually results in paying out huge amounts of unbudgeted money to creditors.

1.2 Statement of the problem

The financial position of the business is compromised because of an increase in the organization's liabilities. Investors and other stakeholders are put off by a big creditors figure. The organization is forced to payout large amounts of money at the same time instead of paying creditors per month. This causes a hinge on the organization's cash flows. Furthermore the target would be to clear all creditors at the end of the financial period but there are always outstanding amounts. This poses a challenge and prompts the research to be undertaken.

1.3 Main topic

An assessment of cash flow management at Premier Tobacco Auction Floors.

1.4 Sub research questions

- What is the cash management policy for PTAF?
- What implementation guidelines are in place?
- What personnel capacity is available to implement the policy guidelines?
- What cash management challenges are being experienced?
- What controls are in place over cash management?
- What would be the best practice for cash management?

1.5 Research Objectives

- Assessing the cash management policy at PTAF.
- Assessing the guidelines that are in place to implement cash management policies.
- To assess personnel capacity available to implement the policy guidelines.
- To assess the challenges being faced pertaining cash management .
- To assess controls over cash management that are already available .
- To establish the best practice for cash management.

1.6 Justification of the study

To the student

The significance of this study to the student is that it is in partial fulfillment of the Bachelor of Commerce Accounting Honors Degree at Midlands State University.

To Midlands State University

The research will add new information to the body of literature. The research will complement existing studies and strengthen synergies between the university and industry.

To Premier Tobacco Auction Floors

Recommendations from the research may be considered for adoption by Premier Tobacco Auction Floors.

1.7 Assumptions

This research was done under the assumption that the data gathered is true and that the organization's operating policy does not change during the period of the study.

1.8 Delimitation

The Research is carried out based on cash management policies at PTAF, Harare. It relates to the period from January 2012 to June 2014.

1.9 Limitation of the study

Financial: The researcher faced financial constraints during the research. Funds were needed to make phone calls and travel to the company in question so as to gather the necessary data. This was overcome by sending emails and calling instead of travelling to the required destination.

Confidentiality: Management was hesitant to disclose some information that they regarded as confidential. This was curbed by giving them assurance that the information was going to be used for research purposes only .

Research design: The intended methods of gathering data were not very conducive. The researcher had to improve the methods so that they yield more reliable results.

Time: There was a limited time available to conduct a the research considering other academic commitments that were at hand . Sacrifices were made to ensure that this research had all time and the dedication it required for its successful completion.

1.10 Abbreviations and definition of terms

PTAF: Premier Tobacco Auction Floors

POS: Point of Sale

1.11 Summary

This chapter commenced with the introduction then the researcher highlighted the background to the study which was important as it brought out the need to carry out the study. Statement of the

problem, research question, sub research questions, research objectives, justification of the study, assumptions, delimitation of the study, as well as limitations of the study abbreviations and definition of terms and a summary were also presented. The next chapter is going to present a review on the related literature.

CHAPTER 2 LITERATURE REVIEW

2.0 INTRODUCTION

This chapter gives a theoretic review of cash management policies, the guidelines in place to implement cash management policies, the personnel that is available to implement the policy and the challenges thereof. It also looks at the logical literature pertaining controls over cash management and the best practices that can be cash management practices that can be implemented.

2.1 CASH MANAGEMENT POLICY

In every area of study, the literature surrounding the subject matter is key as it helps the researcher in developing an argument, drawing analogies as well as taking a position vis-à-vis the subject under review.

According to Matt H Evans (2012) cash is the most liquid asset in a company and can be referred to as the lifeblood for growth and security. Cash management is described in the same book as a balancing act to ensure all obligations are catered for and that cash is collected as swiftly as possible while not holding excess cash. Organizations must manage cash activities thoroughly. The link www.albany.co.uk 23.08.2014 (2356hrs) mentions that cash is receptive but should be traced, pursued and seized whilst ensuring that this whole process should be controlled.

Sheeba Kapil (2008) eludes that efficient cash management can aid the company to remain active and solid and failure to do that can thrust the company into great crisis. The writer also mentions that managing cash flow is a major balancing act between ensuring all obligations are paid on time, doing all that personnel can to collect cash as quickly as possible and at the same time not holding on to unnecessary capital. According to Stephen Ross et al (2008) cash management tries to minimize cash balances by way of disbursing and collecting more effectively, unlike working capital management which is broader and deals with elements like carrying cost, opportunity cost and shortage costs.

On the other hand <http://rple.bu.edu> 21.08.2014 (2345hrs) says that cash management is the process of managing cash flow by the control of expenses, minimization of taxes and reduction

of the cost of debt to ultimately create more savings. The site www.ubsystem.edu 21.08.2014 (2337hrs) says cash management has a double effect in that it helps avoid the debilitating down side of cash crisis and it can also grant you a commercial age in all transactions. It also mentions that the careful monitoring of cash flow helps the business to forecast how much cash would be available on hand at any given time and plan business activities and ensuring that there is enough cash for upcoming payments.

On the other hand James C Van Horne et al (2010), says cash is often called a “non-earning asset” and alludes that cash management purposes to reduce the amount of cash to be held by the firm which should be enough to meet immediate cash. Cash management therefore involves the efficient collection, disbursement and temporary investment of cash .

A cash budget or management thereof, serves as a foundation for cash forecasting and control. In addition to the budget, the firm needs systematic information on cash as well as some kind of control system. Daily reports on bank balances, anticipated daily receipts and disbursements as well as marketable securities position of the firm is imperative.

John M Keynes (2013) ,suggested three reasons for companies to hold cash i.e. speculative motive, transaction motive, precaution motive. The transaction motive has to do with the meeting of payments arising in the ordinary course of business ,for instance wages and taxes. The speculative motive gives the company an edge to temporary opportunities in the market, for example when there is a sudden fall in the price of a certain raw material, funds held for speculative motives can fund this. The precautionary motive is a safety cushion necessary to meet unexpected ,unplanned needs. This motive is usually implemented in a company where cash inflows and outflows are less predictable.

Matt H Evans (2012) goes on to explain that it is one of the objectives of cash management to hold the right amount of cash. He says that organisations must hold an optimal cash balance and this is determined by , in his case, the four reasons for holding cash which are transactional, precautionary , speculative and financial. The author agrees with the previous school of thought but goes on to add that there are financial amounts which need to be kept so as to acquire assets, retire debt or meet some major event. Steven Ross et al (2008) adds on saying that another

reason for holding cash is for compensating balances. This is used for the reason of compensating banks for the interest charged on services rendered.

With the motives of holding cash laid out companies must decide on the quantum of balances to be held. According to Pogue G A et al, (2010) the balance depends upon the following, the projected inflow and outflow based on the cash budget and forecasts which would have taken into cognizance the long and short range needs of the firm. The balance also depends on the degree of deviation between expected and actual net cash flows and the firm's ability to borrow at short notice in the event that an emergency arises. The philosophy of management in regards to liquidity and risk of insolvency and the efficiency of the organisation's planning and control are also mentioned by the author as motivating factors to the cash balances held by the organization.

A cash management policy is a policy with the purpose of instituting controls and standardizing cash management across the entire organization according to Steven M Brag (2009). These policies must be applied in order to appropriately fulfill the fiduciary obligation of management. The major elements of the cash management policy are ;

2.1.1 Cash flow analysis

This is when analysis of both historic and budget forecast data is made so as to foretell cash flow patterns and provide a liquidity basis. This is done so that extension of maturities are made without exposing the company to risk of liquidity.

According to www.altrad.com 21.08.2014 (2319hrs) cash positioning analysis provides decision making information basing on the history of cash flow and provides estimates used to base investment decisions and cash planning. It aids in decision making and monitoring . Actual cash receipts and disbursements are captured daily to establish patterns.

The site, www.blackrock.com 27.08.2014 (0417hrs) says that a cash analysis is also done monthly pin pointing major expenses and revenue to net for a monthly cash balance and this will be used for roll up annual analysis. Monthly balances are also used to obtain the cash available. The available cash each month will present a unique percentage of cash availability throughout

the year. Monthly data from multiple years is cumulated into a schedule indicating average balance each year and reducing single year irregularities. The results of the multiyear analysis can be applied anticipating cash flows providing an annual projection.

2.1.2 Collections

According to Matt H Evans (2012) cash can either be collected or disbursed. The disbursement cycle is the total time between the arising of the obligation and the payment. The overall obligation of this cycle is to increase the cycle days and delay payments. This can be done by mailing cheques from locations far from the customer thus increasing the mail float within the disbursement. Caution must be taken in implementing this method as the company may incur penalties if the mail float increases beyond legal grounds. Disbursing cheques from a remote bank can increase the time for the money to clear with the bank, this is called clearing float. The author also pointed out making payments with credit cards will increase the processing float thus the time required to make the payment is much longer.

The receipting cycle on the other hand is said to be the total time between when products or services are provided or delivered to the time when the payment to the customer clears to the bank. The objective of this cycle is to shorten the period as much as possible.

James C Van Holmes et al (2008) says that this involves acceleration of collections and includes the steps taken by a firm from the time a product or service is sold until the customer's cheques are collected as payment and the funds become usable to the firm. There are methods designed to speed up this collection process like to expedite the preparation and mailing of the invoice thus reducing the processing float or reducing the mailing float by accelerating the mailing of payments to the firm. Reducing the time during which payments received remain an uncollected deposit fund can also speed up the collection time

According to James C Van Horne (2008) ,deposit float and mail float collectively represent collection float- which can be defined as the total time between the mailing of a cheque by a customer and the availability of cash to the receiving firm. The financial manager will thus want to reduce collection float as much as possible. In order to measure any progress in managing cash businesses have to assess how much cash is locked up management should look at the number of days in receivables and/or payables.

- Average days in receivables = average receivables balance /average daily credit sales
- Average days in payables = average payables balance /average daily purchase on account

All amounts which are due are collected on a timely basis should be deposited into the authorized bank account within one business day .Electronic collections and disbursements help reduce costs ,clearing and processing float. According to www.askpage.com 21.08.2014 (0014hrs) it is required for accounts receivables to be aged so as to write them off. The aged accounts should be analysed so as to test feasibility and appropriate action taken to ensure collection. Clients should use electronic transactions for payment (RTGS) more often and the staff involved should be provided with adequate training in collection methods, client interactions and established procedures.

The site www.opm.gov 21.08.2014 (0043hrs) mentions that a minimum flat fee can be established, billed and collected from all payments made later than the stipulated time. However this should be done following legal grounds.

2.1.3 Cash handling

According to www.help.sap.com 21.08.2014 (0023hrs) internal procedures and controls for cash facilitate the enforcement of cash management policy objectives. The procedures include, complete documentation, audit trials, cashier training, random audit, sequential receipting, balancing, accurate and timely reporting. They aid to maintain accuracy and safety of cash transactions. All requests for cash funds should be made in writing stipulating the justification for and the responsible party assigned to the funds. Petty cash funds should never come from takings. The cash custodian is responsible for the fund's collection, balancing, reporting and disbursement and these activities should be done under supervision. Where a change in the custodian is required a written notification and approval is should be prepared. Cash shall never be left off guard or indiscreet .Cash should be physically protected in safes and locked cash drawers. The keys and combinations should be maintained by designated custodians and supervisors. Drop in safes should be secure in their position.

Stephen M Brag (2013) adds on to say that every cashier shall be assigned a separate cash drawer which should not be shared. Only the custodian and supervisor will have access to the cash drawer. All cheques shall be validated with cashier identification and company name. Cash

drawers are to be balanced and closed out at the end of the work period. All overages and shortages are to be reported ,documented and investigated at the end of the day and necessary disciplinary action taken. All deposits need to be confirmed preferably by two personnel. All computer and credit card terminals shall be closed out at the end of the cashier's shift.

Documentation in the form of summary sheets should be made for each deposit before the actual deposit is made. All deposits for physical cheques should be transported in secure bags with identifying deposit slips for tracking purposes. Security codes and PINs should be given to individuals and no listing of these should be made on any web based system so as to avoid unauthorized access of information.

For the cash handling locations, all cashiering areas should be secure and enough working space should be given to each cashier. On discovery of a possible theft or loss the necessary authority is quickly notified and an internal review done before the end of the business day. If theft is discovered a verbal report is made and necessary legal action is taken. All counterfeit notes should be confiscated and segregated immediately by cashiers.

2.2 GUIDELINES TO IMPLEMENT CASH MANAGEMENT POLICIES

The following guidelines can be followed to implement cash management policies.

2.2.1 Earlier Billing

Getting invoices to customers earlier can be looked at as a means of speeding up collection of receivables. Customers have different payment habits. Some pay their bills on the discount date of the final due date and others pay immediately on receipt of an invoice. Accelerated preparation and mailing of invoices will result in faster payment because of the earlier invoice receipt and resulting earlier discount and due dates. Computerized billing could be used to achieve this and companies can also enclose invoices upon delivery of goods, send invoices by fax or even request an advance payment.

2.2.2 Lockbox System

According to Steven M Brag (2013) cash has historically been the most obvious asset to steal from a company. Accordingly, the handling of checks and cash has been burdened with the largest number of controls of all processes, even though the total amount of cash on hand at any

time is usually much less than for other types of company assets. Stephen Ross et al (2008) says that the lockbox collection starts with customers mailing their cheques to a post office box instead of sending it to the company. The local bank then collects the lockbox cheques and deposits it to the company account, detailed of the operation are documented and also sent to the company.

The lockbox system reduces mailing time as the cheques are received at a nearby post office rather than the company headquarters. Lockbox systems also reduce the processing time because they reduce the time for a corporation to physically handle receivables and deposit cheques for collection. It enables a company to have its receipts, processed, deposited and cleared faster than if they were to receive cash at the headquarters.

2.2.3 Concentration Banking

Firms may find it advantageous to move part or all of their deposits to one central location, which is known as a concentration bank. Stephen Ross (2012) says that companies can speed up collection by way of concentration banking. The sales office deposits the cheques into a local bank account. Surplus funds are transferred from the local bank account to the concentrate bank. Concentration banking makes it possible to receive customer cheques from a nearby location. It reduces mailing time as the sales office is usually nearer the customer than the headquarters. Hence reducing clearing time as the cheque is usually drawn at a local bank. The cooperate cash manager can use the float of cash at concentration banks for short term investments and other purposes.

2.2.4 Wire Transfers

Transfer by way of RTGS is common in this method. Stephen Ross (2012) describes wire transfers as the fastest way of transferring cash. Wire transfers take place electronically and only takes a few minutes. It eliminates the clearing and the cheque mailing time associated with the other methods. It improves control over inflows and outflows of cooperate cash, reducing idle time and allowing for a more efficient investments, as cash investments can be made from a larger pool of funds.

Stein ,P (2010)also states that the organization can also slow down cash payouts. Used collectively fast collections and slow disbursements will result in increased availability of cash. The firm would want to pay accounts payable as late as is consistent with maintaining its credit standing with suppliers so that it can make the most of the money it already has.

Turner Paul S at el (2008) says one procedure for tightly controlling disbursements is to centralize payables into a single or few accounts presumably at the account's headquarters, in this way disbursements can be made at the precise time they are desired. Gamba ,A (2008) postulates that operating procedures for disbursements should be well established. If cash discounts are taken on accounts payable, the firm should send payment at the end of the cash discount period. But if a discount is not taken, the firm should not pay until the final due date in order to have maximum use of cash.

2.2.5Mailroom

Michelle L Long (2009) explains that if cash or checks must be received in-house, then the first control is to have the mailroom staff prepare a check prelist, which itemizes the amounts of all checks and cash received. Preferably, two people in the mailroom should open the mail together, to ensure that no cash is stolen at this point. This list can then be compared with the results of downstream processing operations to see if any payment information was subsequently modified. The mailroom staff also endorses all cheques "for deposit only" and clearly specifies the account number into which they should be deposited, so that they cannot be cashed into some other account.

The cashier has to enter the receipts into the cash receipts journal, prepare a daily bank deposit slip, and sends the checks and cash to the bank. A different person should then compare the check prelist against the deposit slip (even better, use the validated deposit slip that is returned by the bank) and cash receipts journal to see if the numbers match. Finally, another clerk should reconcile the month-end bank statement to the general ledger, to ensure that the company's cash receipt records match those of the bank.

Reider Rob et al (2009) says if a company is primarily handling cash, rather than cheques, then the control situation is somewhat different. When receiving cash from a customer, always give

that person a receipt and retain a copy; this gives the customer a chance to spot an error on the receipt. Also, a different clerk from the one who initially entered the cash receipts should reconcile the on-hand cash to the receipt copies. Then, the cash should be transported to the bank in a locked container. Finally, the bank's deposit receipt should be reconciled to the company's receipt records.

2.2.6 Maintaining cash balances

Most firms establish a target level of cash balances to maintain. They do not want to maintain excess cash balances because interest can be earned when these funds are invested in marketable securities. The optimal level of cash should be the larger of the transactions balances and required when cash management is efficient. Two models can be implemented to manage cash.

2.2.6.1 Cash Management Models

The opportunity cost of holding cash determines the optimal amount of cash to be held by a company. Stephen Ross et al (2012) notes that William Baumol was the first to provide a formal model for cash management incorporating opportunity cost and trading costs. The model presents important contribution to cash management although despite its few limitations. The model assumes that the firm has a constant disbursement rate and that there are no cash inflows during the projected period whereas most firms experience daily cash inflows and outflows. The model also does not allow for any safety stock.

The author also makes mention of the Miller – Orr model which was developed by Merton Miller and Daniel Orr. This model deals with cash flows that fluctuate daily. It assumes normal distribution of net cash flows. For the application of this model, a manager should, set the lower control limit for the cash balance and this lower limit can be related to a lower safety margin which is determined by management. To use this model one also has to determine the interest rate and estimate the trading costs of buying and selling marketable securities.

<http://homepage.rpu.edu>, 27.08.2014 (0433hrs) says that the Miller –Orr model is a more accurate as it allows the firm to forecast cash demand to a greater degree. It requires the firm to be able to associate variance with uncertainty regarding cash demand and balances. The model assumes that the firm is able to obtain cash from revenue but this may not be enough and could be coupled with the liquidation of securities.

According to www.successfulQuickbookConsulting.com, 27.08.2014 (0433hrs) ,both the Baumol and the Miller –Orr model assumes that the firm incurs opportunity cost by maintaining cash balances. This means that when the firm maintains cash balances , it forgoes the opportunity to invest in that cash and get returns, hence a larger cash balance implies greater opportunity cost. These models also assume that firms incur transaction costs when they liquidate costs so as to acquire cash.

The higher the interest rate in the market, the greater the opportunity cost of holding cash and the greater the corresponding desire to reduce the firm’s cash holdings, all other things being equal this is according to James C Van Horne et al(2008) .

2.2.7 Investing in marketable securities

Stephen Ross et al (2012) says companies can invest in short term marketable security when they have a cash surplus. Firms often invest in short term marketable securities as near cash investments. They are usually shown in the balance sheet as cash equivalents if their remaining maturities are three months or less at the time of acquisition. Other marketable securities assuming that their remaining maturities are less than one year are shown as short term investments. Marketable securities are usually held for three purposes which are to make cash ready for future unforeseeable excess cash outflow and as free cash set aside . Marketable securities can also be for future cash outflows like salaries and dividends.

Risk associated with cash

According to Phil Mcnaul (2008) Risk is relative consequence of uncertainty as it is said to be either positive or negative. The availability of idle cash can make a company lose out on potential investments that could be implemented for the benefit of the organization, for instance marketable securities. There is also a risk associated with seasonal activities, the availability of cash at a certain period of the year might present the risk to overspend. Cash handling can also come with the risk of adhering to unbudgeted expenditure. There is also risk as a result of fraud and error and risk associated with commerce and cyberspace as alluded by www.kpmg.com 26.08.2014 page 5.

2.3 PERSONNEL CAPACITY AVAILABLE TO IMPLEMENT POLICY GUIDELINES

Organisational capacity has been defined by Eade D (2007) as its ability to apply skills and resources in order to accomplish goals and meet stakeholder expectation. The skills and resources include staffing ,infrastructure ,technology and financial resources. Capacity can be distinguished between the capacity which the organization needs to carry out day to day activities and the capacity needed for an organization to adapt to change. It is also distinguished by the same author as individual and team capacity.

Personnel capacity needs to be audited and reviewed to see if it is adequate to implement policy guidelines. Eade D (2007) notes that for employees to function efficiently, they need to be monitored ,rated, rewarded ,developed and have their work planned. Having work planned in advance means setting performance expectations and goals for groups of individuals so as to channel their efforts towards the achievement thereof. This will help management establish, what is to be done and how many people are needed for the engagement.

Monitoring employees will also help management establish if the staff available is adequate .The process involves consistently measuring performance and providing feedback to workgroups on their progress towards reaching their goal. By monitoring continually, management can weed out all unnecessary staff and work towards hiring more staff where need be.

In an effective organization, employee developmental needs should be attended. It means increasing the capacity to perform through training, introduction of new skills and expertise and improving work processes. Providing this will encourage good performance , strengthen job related skills and competence and at the same time allowing management to keep a suitable capacity in terms of the number of employees.

According to Turner P (2003) rating includes summarizing employee performance from time to time, thus helping to compare performance over time across sets of different employees with different sizes. This helps management to see who their best performers are and at what capacity the organization performs best .Rewarding involves recognizing employee performance and acknowledging their contribution.

In the book by Steven M Brag (2013), it is noted that employees must know what they need to do in order to perform as expected. Expectations for employee performance are established in

employee performance plans and these are the written or otherwise recorded performance elements that set forth expected performance. Performance elements tell staff what they have to do and the standards stipulate how the things are to be done. The author also states that for personnel to fully utilize their capacity, they should not be assigned more than one critical element in their duties. A critical element is a responsibility of such importance that any unacceptable practice when carrying out that duty is regarded unacceptable. The author also says that it is important for an employee to know the overall goals and policy of the organization in order to fully implement the policies. They should also know if there are any performance measures in place so that they work with a given rule /mark.

According to www.icad-cisd.com 27.08.2014 (0445hrs), a policy should be developed before being implemented into the organisation. Employees should also be involved in the implementation process and contribute their valuable input. After development a policy is then implemented.

2.4 CHALLENGES OF CASH MANAGEMENT

The cash management challenges relate to lack of cash management policy, failure to specify the minimum and maximum cash balances. Lack of cash planning for cash out .According to Filbeck G K (2009) one of the challenges of managing cash in small to medium enterprises is lack of adequate staff and as a result there is little or no segregation of duty, living the company funds in a very compromising position. There is also a challenge with enough knowledge on how to manage cash, particularly with the management. This will gradually cascade down to junior staff as they will not be motivated to learn.

Steven R G (2010) postulates that the challenge of lack of knowledge will also end up making the controls in the organization very slack and this will further manipulate the cash. More specifically, challenges can be found in the following areas of cash management.

Transportation of cash

Mike Williams (2009) says to provide safekeeping of the cash asset for efficient, timely and cost effective transportation. The transfer of assets should not be limited to a scheduled timetable and information regarding this should be limited to cash handling employees. Organisation often face

the challenge of having fixed time routines to transport cash and this can make funds vulnerable to effects like gang attacks.

Disbursement of cash

The author also mentions that all payments due and payable by an institution should be funded on a timely basis and utilizing payment discounts options. Payroll expenses should be paid by way of direct deposit instead of handing over cash to employees like what some small companies do. This will make cash disbursement more expensive .

Petty Cash Funds

Keasey K (2010) alludes that these shall be established only for reimbursement of nonrecurring and unexpected expenditures. A maximum amount for petty cash to be set should be established. Petty cash disbursements should not be kept for an elongated time by employees. The funds should be kept locked away in a safe. The custodian shall balance the petty cash after every transaction. This is usually taken for granted by employers as they sometime disburse petty cash funds to last the cashier up to two weeks and this may present an opportunity for staff to commit fraud.

According to Michelle L Long (2009) companies have to be very cautious in collecting funds from slow paying customers. If the company is strict in its collection policy with the permanent customers who are temporarily slow payers due to the economic conditions, they may be offended and may shift to competitors and may thus lose its permanent business. On the contrary if the company is lenient in collections, receivables this could increase and profitability could reduce. In the recommended management practice a company should compare the costs and the benefits and implement the best available option.

2.5 CONTROLS OVER CASH MANAGEMENT

Phil Mcnaul (2008) says that any company operates under a complex set of policies and procedures that in total comprise a set of processes that ultimately generate revenues and profits. These processes are subject to breakdown at a variety of failure points, either inadvertently or intentionally, through fraud. We install controls to identify or forestall process failures.

Internal controls over cash management are needed at all levels of the organogram and management should provide guidance and delegation to their employees on how to safeguard cash. Cash management internal controls represent an application of common sense and prudent conduct to the proper safeguarding of the asset. Reider Rob et al (2008) eludes that the integrity of any cash management activity depends upon the application of internal control principles and standards thus providing management with reasonable assurance that the company's cash asset is well taken care of.

According to www.financialmanagementdevelopment.com 23.08.2014 (2318hrs), there are some element of weak controls in all areas of a company . Some of these areas however harbor key risk areas, especially the alteration of company assets or falsification of financial results. Revenue recognition is a major risk area, for there are a variety of ways to manipulate it to wrongly accelerate revenues, thereby reporting excessively profitable financial results. Other areas of noteworthy risk are the capitalization of assets and the valuation of such reserves as bad debts, warranty claims, or product returns. Several other high-risk areas are also unrelated to basic process flows for example the valuation of acquired assets, related-party transactions, contingent liabilities, and special-purpose entities. Thus, even with in-depth and comprehensive controls over such key processes as purchasing billings, and cash receipts, there are still significant areas lying outside the traditional control systems that can be easily circumvented.

According to Michelle L Long (2011), good controls are essential for any organisation. They help prevent fraud, detect embezzlement and make financial statements more accurate. She says that though implementing internal controls on the financial accounting software is vital , some human power is also necessary especially when it comes to small organisations.

2.5.1 Management controls

She mentions the tone at the top management techniques. This involves management's commitment to implement and follow internal controls. This sends a strong signal on the importance of these controls to the rest of the employees. Management should also take an interest in the books of accounts by asking for and reviewing them at random.

They should have a basic knowledge of accounting to be able to detect any variance and understand any variance given to it. Management should also provide oversight and review. It is a good control technique when employees know that their work is being constantly monitored.

The author mentions that if an employee notices that he /she is being left to do the work with little or no oversight , the opportunity to commit fraud might sooner or later present itself.

It is also mentioned in the book that another way to foster a culture of controls is to have a written dawn ethics policy. The policy should clearly outline what is expected of employees and should be made known to everyone in the organization It is also imperative that management sets an example in terms of adherence to the set policy. These policies should be reviewed, for instance annually to adjust for any changes in the working environment. For emphasis sake, employees may be asked to sign the policy saying they will abide and uphold the terms of the document. And have it filed away for future reference.

On the same note, the article at www.opm.gov 21.08.2014 (0548hrs), mentions that control has a lot to do with management's attitude towards the establishment and maintenance thereof. They have to ensure that organization units are clearly outlined and having qualified and properly trained staff. Management should delegate enough authority to ensure that responsibilities are effectively performed and that the policies and procedures are adhered to. They should also make sure that the necessary background check on personnel who have access to sensitive company information is done.

2.5.2 Accounting Software

In the book by Matt H Evans (2012) the author mentions that it is of fundamental importance to separate system responsibility among staff. For instance , someone with Accounts Payable access should not be allowed to balance the bank statement or access the accounts receivable account. Individuals who enter and process transactions should not be given rights to set up books or to construct organizational settings. According to Matt H Evans (2012) companies can use electronic bank statements to transfer bank statement data to cash management electronically.

The policy of archival and back up to accounting data base is of great importance and a formal back up policy should be made. The volume of transactions affect the backup to be prepared they also help retain transactional detail that could be used to for instance prove fraud when need arises besides measuring business's proficiency and continuity. The following should also be used;

2.5.3 Financial Statement accuracy

Haford J (2009) alludes that having an outside accountant can be a control mechanism. The outside accountant will view the books professionally on behalf of management.

2.5.4 Internal controls for cash and trade receivables

When cash comes in it should be logged onto a receipt book in the presence of two people. A copy of the log should be made and then the bookkeeper records the transaction. Receipts should be given at every sale, this ensures that every sale is registered and monitored and no sales may be regarded as void.

According to Ramamoorthy V.E, (2009) the quality of the firm's customers and the time they to repay credit obligations is influenced by the company's credit standards. The average collection period determines the speed of payment by customers and measures the number of days for which a credit sale remains outstanding. The longer the collection period, the higher the firm's investment in accounts receivables.

Default risk is also a critical aspect and is defined as the likelihood that a customer will fail to repay the credit obligation. On the basis of past practice and experience, the financial manager should be able to form a reasonable judgment regarding the chances of default. To estimate the probability of default, the financial manager should consider the three "C_s" These are mentioned by Weide, J.V et al (2012), to be ,

Character- This is the customer's willingness to pay financial or credit manager should critic whether the customers will make notable efforts to honor their credit obligations. The moral factor is of considerable importance in credit evaluation in practice.

Capacity- This is the customer's capability to pay. This can be judged by assessing the customer's securities.. Capital is evaluated by the financial position of the firm as indicated by analysis of ratios and trends in firm's cash and working capital position. The financial manager should determine the real worth of the assets offered as collateral.

Condition- This refers to the current economic environment that may affect the creditor to pay or not.

Information on these variables may be collected from the customers' their published financial accounts and from agencies which may be keeping credit information about customers. A firm

should use this information in preparing categories of customers according to their credit worthiness and default risk.

2.5.5 Internal controls for cash disbursement and trade payables

All requests for cash disbursement should be accompanied by the original invoice. The invoice should clearly show what is being purchased, the amount, the date and name of purchaser and the details of the person authorizing the transaction. The use of purchase orders should be implemented and all orders should be approved, matched with the necessary invoice and receipt of the goods or services received. Check signor should be introduced, these should not be the people who prepare the cheques and they should check for, signing, compare check amounts and supporting documents. The author also mentioned considering the use of an online billing system and the system should be secured by a password.

2.5.6 Controls on payroll

An unprotected payroll environment is very susceptible to fraud as payroll is one of organizations biggest expense. Management should know what the expected payroll dollar amount is and ensure any change to payroll rates. According to Matt H Evans (2012) payroll is a large cash outflow and requires special attention. One way to manage it is to employ a flexible workforce and permanent staff for core activities. The fraud and risk management document also says that payroll should be run on an electronic system to enhance controls on it. These systems will usually have a built in ability to segregate account payable input and approval duties. According to Steven M Brag an essential control is to verify that all timecards have been received, because it is entirely possible for an employee's timesheet to disappear during the accumulation of timesheet data, or to never be submitted. In either case, once payday comes and there is no check, impacted employees will want an immediate payment, which represents not only additional work for the payroll staff, but a sudden and unexpected additional cash outflow.

Supervisors should also review the time submitted by employees, and specifically approve all overtime hours worked. This is needed, because employees may pad their timesheets with extra hours, hoping to be paid for these amounts. Alternatively, they may have fellow employees clock them in and out on days when they are not working. Despite this control, such actions can be

difficult to spot, especially when there are many employees for a supervisor to track, or if employees work in outlying locations.

2.6 BEST MANAGEMENT PRACTISES

To manage cash better according to www.askpage.com 21.08.2014(2318hrs) few additional cash-handling controls can enhance the cash control environment. Only one person can have access to a cash register during a work shift. This makes it easier to assign responsibility for any inaccuracies in the recording of cash receipts. A more obtrusive control is video surveillance of the cash registers. Supervision should be required on approval of cash refunds. This is because an employee can steal cash by taking money from the cash register and recording a refund on the cash register tape. By requiring a supervisory password or key entry for every refund issued, the cash register operator has no opportunity to steal cash by this method.

At www.nacubo.org 21.08.2014 (2356hrs) it is mentioned that the firm can also use credit terms which are stipulations under which the firm sells to customers. These include;

Credit Period

It is the extended time for credit to a customer. A firm's credit policy may be governed by the industry norm, depending on its objective. A firm can tighten or loosen the credit period ,depending on the objectives to be achieved.

Cash Discounts

This is a decrease in the money to be paid by customers ,so as to encourage them to pay for the obligation in a space of time shorter than the normal credit period ..Terms and conditions for a discount are laid down to the customer ,if the customer does not adhere to them ,it means they will have to take the original policy

Bolton P (2011) also says collection efforts also have to be made and a collection policy is needed because all customers do not pay the firm's bills on time- some customers are slow payers whilst some are non-payers. The collection efforts should therefore aim at speed up collections from slow payers and reducing bad debt losses.

A collection policy should ensure prompt and regular collection. Regularity in collections keeps debtors alert and they tend to pay their dues promptly. In order to collect the slow paying account, the firm should follow collection procedures in a clear cut sequence. Sales representatives should be motivated to put their best efforts in collections. They may be given incentives for faster and prompt collections.

According to www.citibank.com 27.08.2014 (0453hrs) , there are cash management practices that BRIC economies implement. The culture lock practice is one in which there are adequate relations between the bank and management such that they can open accounts with little or no paper work. This will make the process shorter and thus allowing for urgent investment to be done with little hustle. This technique can be coupled with technological advancement like recording the verbal agreement electronically and keeping that as evidence.

Gomes F (2010) also says that another implementation that they have is the devil in the detail practice whereby they do not assume knowledge to client but rather gives all the detail. This is done as failure to understand terms and conditions in any cash dealing can lead to serious consequences. The author also cited that it is important for management to hand over the keys in some engagements. Delegation will make the cash management more efficient as less responsibility will be centered on each person.

It is also noted at <http://www.euro.who.int/document/e82997.pdf> 03.09.2014(2132hrs) that BRIC economies believe that buying in is vital for cash management. If a subsidiary has a raw material that the parent needs, it is important that the sales within themselves so that cash continues to circulate within the company. That way the terms and conditions are clearly laid out and there are little or no loopholes. On a larger extent they also say that it can be efficient in terms of cash management if companies buy and sale within their own country. This will make payments and disbursements faster as there are no long processes that have to deal with exchange rates and shipping of goods.

Reider Rob et al (2008) noted that for better cash management, it is vital to keep abreast with technological advancements. Leveraging the technology on personnel's figure tips will help the company be able to do online banking and services self-inquiry to ensure for smooth cash flow operations.

2.7 SUMMARY

The objective of this chapter is thus to acquaint with the information written by authoritative sources about efficient cash management by reviewing relevant journals, past research studies and textbooks. It covered the cash management policies, guidelines to implement the policies, the assessment of the personnel capacity to implement the policy. It also elaborated on the controls that can be put in place to manage cash and the best cash management practices that can be implemented. The next chapter has is on the research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter deliberates, research design , study population ,sample sampling techniques, types of data, research instruments, types of questions, the Likert scale, data reliability and validity ,data presentation ,data analysis and a summary.

3.1 Research Design

According to Stephen D Lapad (2011) research is a methodical and rational exploration for new and significant information on a particular subject. A researcher must choose a research methodology also known as research approach which according to Dr Wilson Ng et al (2013) refers to the blueprint or set of decisions and measures that administers a study and renders it comprehensible, subject to criticism and adaptable by others .Research methods are used and these are defined by Bryman A et al (2011) as the different themes, techniques and algorithms used in research. A researcher must also choose a research design. According to Fowler Jr F J (2009) research design includes the data collection, exploration and recording options its function is to ensure that the evidence obtained enables the researcher to live the research question answered as unambiguously as possible.

According to Fowler Jr FJ (2009) research designs include, exploratory, analytical, descriptive and predictive. An exploratory research is said to be undertaken when little or no study has been done to that area and much exploration still needs to be done. It uses research instruments like case studies and observations of previous studies. Predictive research is when intelligent speculations are made about a future event. Descriptive research design is used to identify and classify elements of a subject. This was used in chapter three because the author mentions that it is commonly used for data collection summary and analysis of data. Analytical design is more of an extension of descriptive but rather explains the how and why something happened.

For the purposes of this study a descriptive research design was used . Descriptive research design as defined by Castilo (2001) is a scientific research method involving observations and descriptions of a behavior of a particular subject , without particularly influencing it in any way. This is ideal for this study as it is ideal for data collection and analysis

3.1.1 Descriptive Research Design - Merits

According to Ben K (2011) ,this design gives the researcher an opportunity to use both qualitative and quantitative data to find characteristics about the population being studied. The unique data collection form of case studies provide insight that other research methods cannot. Descriptive research design also includes the use of specific forms of data collection and these provide a multifaceted approach to the data collection process.

3.1.2 Descriptive Research Design - Demerits

Ben K (2011) also notes that there is lack of confidentiality as the subjects may feel the need to tell the researcher what they think is being required. Participants may also refuse to give answers to questions that they may regard as being too personal. There is also high risk of errors as researchers may record only the details which conforms to the project hypothesis and ignore that which does not.

3.1.3 Exploratory Research Design - Merits

According to <http://www.nova.edu> 04/09/2014(0523hrs) there is flexibility of resources in the use of an exploratory research design. It also allows for strategic planning and hence yields better results and conclusions.

3.1.4 Exploratory Research Design - Demerits

Hine C (2008) mentions that exploratory researches are usually not very useful for the purpose of decision making , when used on their own.

3.2.0 Study Population

The study population is the total of characters from whom the researcher is interested in getting information from. Stephen D (2009) also defines it as the group of people who are the focal point of the research. Lavrakas P J (2008) also refers to the population as the aggregation of all matters, themes and people that concur to a certain set of conditions. In order to collect data from a population, a researcher can use a census, sample surveys or administrative data.

3.2.1 Population size

The sample size for this research was approximately thirty ,in which six of them did interviews and the rest completed questionnaires. This included all the members of the executive and non-executive staff at Premier Tobacco Auction Floors. The material attributable in this research advocated for a census research. This is because the company under review was off season

during the time of the research hence only a few people at work during this time. A census was carried out as the whole population participated in the research.

Department	Census		
	population	Questionnaires	Interviews
Accounting department	9	7	2
Information Technology	4	3	1
Marketing	4	3	1
Sales Team	6	5	1
Human Resources	3	2	1
Canteen staff	5	5	0
TOTAL	31	25	6

3.2.2 Census

According to Sapsford R (2007) collection of data by means of a census refers to accumulating data from every unit and element in the population. Schonlau (2009) says that a census research means that each and every element that forms part of the research is investigated. It is a system of systematically acquiring and recording information about members of a given population.

3.2.2.1 Merits

Sapsford R (2007) alludes that a census is very efficient since the sampling variance is always zero thus there is no sampling variability attributable to the statistics because it is calculated using data from the entire population. The census database is also very rich as it has detailed information about the small subgroups.

3.2.2.2 Demerits

Schonau M (2009) discourages a census research by pointing out that it is usually very costly to conduct a census for a large population as the population in its entirety is more expensive to research on than smaller samples. The author also notes that it takes more time to conduct research using a census as the people or objects are usually too many to complete in a short space of time. The method also comes with a problem of a response burden to the researcher because

there will be information being received from every member of the target population. It is also difficult to control the undertaking as the researcher has to keep every single operation under the same level of scrutiny and control.

3.2.3 Administrative data

Administrative data is mentioned at www.statcan.gc/edu 12/09/2014 (1432hrs) as data collected as a result of organisation's day to day operations .This can include company registers ,detail files and information databases.

3.2.3.1 Merits

The above site mentions that there is no variability attributable to the statistics because it was calculated using data from the entire population hence it is more accurate. The data collected on this basis originates from an ongoing series of information and this allows for trend analysis. It is also very simple as the researcher simply needs to spool out data from the source and since the data is already collected there is also no additional response burden.

3.2.3.2 Demerits

Supsford ,R (2007) however mentions that the method lacks flexibility as the data items may be limited to essential administration information which may not exactly correspond to the research. This method also has data that is limited only to the population on which administration records are kept. In some organizations this information may be limited to a certain section of the employees .The author also mentions that information is also bound to change overtime making some of the databases created long back, invalid. The data collected from this method can also be misleading because the concept behind a files can only be accurately defined by the people who created it. If these people are not available to help the researcher interpret the data bias can occur.

3.2.4 Sample Survey

This is when a certain part of the population is approached for data. Sampling is also defined by Fowler FJ (2000) as a process of obtaining information on a relatively small group on behalf of the entire set. A sample is only a subset of a census. Below is a list of some sampling techniques.

Random Sampling

Hine C (2008) says that in this method every member of the research population has an equal chance to be selected. The elements in a random sample can either be substituted or not. When done without replacement an item is not substituted or replaced into the population and therefore can only be selected once.

Systematic Sampling

According to Hine C (2008) ,this method is statistical such that every nth element of a population is selected. The author mentions that caution must be practiced when using this method to ensure that the original sampling list is not arranged in any particular order.

Stratified Sampling

Hine C (2008) alludes that this is yet another statistical sampling method which is used when certain representatives of a particular sub group need to be represented in the sample. The first step when using this method is to split the population into strata based on a mutually exclusive criteria. Random or systematic samples are taken from each sub group. The sampling function for each sub group may be taken in the same proportion as the subgroup has in the population. This sampling technique can sample an equal number of items for each subset.

Cluster Sampling

Fowler F J (2009) makes mention of cluster sampling in which the population that is involved is divided into two clusters or groups .Contrasting stratified sampling, a cluster is as assorted as possible to matching the population. A random sample is then taken from one or more of the selected clusters. Although cluster sampling can tell a lot of information about a particular cluster, generalization cannot be made about the whole population unless the clusters are selected at random.

Haphazard Sampling

Fowler F J (2009) also talks about haphazard sampling saying that samples are selected based on preference and convenience although efforts should be made to choose as randomly as possible. This method is usually shorter and uses smaller sample sizes than the other sampling techniques.

Judgmental Sampling

This is another non statistical method in which individuals doing the sampling uses their own knowledge and experience to select the items to be selected.

3.2.4.1 Merits of Sampling

Hine C (2008) says that less time is needed to administer and results are quicker as it obviously takes less time to investigate a sample than the whole population. Sampling is also said to be advantageous in that it can provide very reliable information at a very low cost. Samples also have the advantage of being efficient and less prone to errors.

3.2.4.2 Demerits of Sampling

Lavrakas P J (2008) says that there is bound to be a sampling variance as the data might not be precise since it will be coming from only a sample of the population. There might be lack of adequate detail in the case of a sample that is too small. Saunders M (2008) mentions that the sample may not be a candid representation of the entire population and this stands as a disadvantage to sampling

3.3.0 Types of data

In collecting data the researcher used primary and secondary sources of data. According to Bryman A et al (2011), quantitative research is based on the measurement of quantity, volume or amount. It is numeric, non-descriptive and statistical. The results are conclusive and usually graphed or tabled. A quantitative research often scrutinizes the what, where and when of decision making. Bryman A et al (2011) says qualitative research on the other hand deals with the quality phenomenon and characterized by non-numerical, descriptive and reasoning words. It investigates the why and how of decision making. The following sources of data are used to get both qualitative and quantitative data.

3.3.1 Primary Data Sources

Dr Wilson Ng et al (2013) says that primary data is that which is collected for the first time in research coming straight from the horse's mouth. It usually works as additional information to refine the already obtained secondary information. The main methods of collecting primary data are interviews, observations and questionnaires.

3.3.1.1 Advantages

Dr Wilson Ng et al (2013) points out that primary sources of data gives more valid information. The researcher tends to observe finer nuances and tones of the research especially in the case of interviews and observations. There is an option of preserving the anonymity of the respondent if need be.

3.3.1.2 Disadvantages

According to Ng and Keasey K (2010) it is however sometimes difficult to access the sample because of proximity. The sample might also behave unnaturally in the presence of the interviewer thus distorting the result. Obtaining primary data also has the disadvantage of being very time consuming.

3.3.2 Secondary Data

This refers to material from sources other than the main source. An intermediate and independent agent compiles data or information in their own research and this is adopted to be part of the study by the researcher. According to Schonlau (2009), secondary research has to do with the collection of data from third parties like the internet, journals and textbooks. At www.sagepub.com (02.09.2014 2313hrs) secondary data is referred to as historical data that is not compiled specifically for the research. This is the most helpful method of compiling data and accounts for much of the data used, especially in the literature review and the analysis sections of this research project.

The internet is the most awarded 'library' ever. The researcher accessed e-journals, e-books and works by other scholars and organizations from the internet. The researcher could easily check both technological, financial and legal developments in cash management of other countries and communities. Some of the questionnaires were sent to respondents through the internet via e-mail.

The researcher also made reference to numerous text books and journals in this investigating appropriate cash flow management. The following are advantages and disadvantages of secondary data according to <http://spirit.lib.uconn.edu>(02.09.2014, 2316hrs).

3.3.2.1 Advantages

Sapsford R (2007) says that secondary data is said to be cheaper and easier to gather thus saving time and money. It also aids in making data collection more specific and enables identification of gaps and deficiencies in primary data. Secondary data can help sharpen the researcher's understanding of the problem and provides background information and literature review to the problem and hence build creativity for the research report. The variety of information and options provides in depth information for the researcher.

3.3.2.2 Disadvantages

The site www.sagepub.com (02.10.2014 2313hrs) argues that the disadvantages of secondary research include the fact that close scrutiny must be done since the origins of the information may be questionable. Another disadvantage is that secondary data may not always be arranged and presented in a way to meet the researcher's needs. There are also chances of applying out of date research reports because of the rapidly changing modern industry. The information available may also be inaccurate and irrelevant.

3.4 Research Instruments

3.4.1 Questionnaires

According to www.businessdictionary.com 07.09.2014 (2333hrs) a questionnaire is a research instrument consisting of a series of research questions designed to extract specific information from the respondents. A questionnaire is regarded as a series of questions; each one providing a number of alternative answers from each of the respondents. A questionnaire comprising of a standard number of questions was designed and distributed to all of the members of the population. The questions are either open ended or close ended. According to Schonlau (2009), open ended questions allow the respondent to elaborate more when answering. Close ended ones on the other hand only allow for a yes or no answer hence will inevitably leave the researcher with less information compared with open ended questions.

3.4.1.1 Merits

According to Lavrakas P J (2008) questionnaires are advantageous in that they are more objective than interviews, they exhibit the real facts. Questionnaires also help the researcher to get information from a diverse population as they can be distributed to a wide range of respondents. It is also stated that questionnaires are very confidential as the anonymity of the respondent can be maintained. The writer goes on to say that questionnaire are a quicker way of obtaining information and can help get data from a large group of people in less time. Questionnaires according to Brace I (2004) are said to be less biased as people may be more likely to respond more honestly to sensitive issues on paper than face to face. With questionnaires, different people can be assigned to go and distribute the questionnaire despite having knowledge of the research or not.

3.4.1.2 Demerits

Brace I (2004) says that questionnaires are said to have the disadvantage of being too standardized hence leaving no room for explanations to some points. Respondents may tend to answer superficially especially if the questionnaires are too long to complete. Another problem with questionnaires is that respondents can read differently into the questions hence responses will be based on the different interpretations. Lavrakas PJ (2008) mentions that there is also no telling how truthful the respondent was in completing the questionnaire and the researcher may not receive a spontaneous answer as respondents may discuss questions before completing the questionnaire.

3.4.2 Personal interviews

Interviews where done to a smaller population as the staff would be busy running other errands of the day and interviews would take lots of time. Only the management and senior accountants where interviewed. Saunders M (2007) says interviews are one on one interactions between the researcher and the respondent and getting firsthand information on the experiences and points of view of the latter advantageous and that there is face to face interaction between the respondent and the researcher allowing for misunderstandings to be clearly noted. This way the researcher has a chance to rephrase so that the questions make sense to the respondent. When more detail is needed the researcher may probe and encourage to add more or incline to a certain angle.

According to Trochim W (2010), there are ,closed, fixed response interviews whereby the interviewees are all asked the same questions and asked to choose answers from a list of given answers. This type of interview saves time as the interview will take less time to complete, however it can present some bias as the answers are limited and restricted. It is also very difficult to prepare on the part of the interviewer. The interviewee may also be intimidated to think that there is a right and wrong answer to the questions.

Another type as mentioned by the author is the standardized, open ended interview whereby the interviewer asks the same questions to the interviewee but does not provide answers . The interviewer has to record the original words of the interviewee as the answers. This type is good as it allows interaction and the interviewee can air out particular point of view without limits.

The author also makes reference to telephone interviews which can be more of either of the two above but conducted via the phone. This type of interview is convenient where there are constraints against the interviewee meeting the interviewer but is very expensive and can be very inefficient as there could be risks of network problems.

3.4.2.1 Merits

Hine C (2008) says that interviews have a higher respondent rate than questionnaires. The ability to see the interviewer is also a merit. Longer interview are tolerable than long questionnaires because of the ability to interact.

3.4.2.2 Demerits

Interviews can be time consuming and resource intensive. There is time needed for travelling to and from the place of interview and then to revise and collaborate the work. Interviews are also prone to bias as interviewees may feel the need to impress the researcher and alter the truth in the process.

3.4.3 Observations

Ben Kei (2011) says that this is when a researcher gathers data by merely viewing the goings on at a research point. The observations are then documented and reviewed as data for the research. The site www.businessdictionary.com 07.09.2014 (2333hrs) points out that observations monitor all aspects of the phenomenon that seem relevant.

3.4.3.1 Merits

Ben K (2011) alludes that observations are a quick and cheap way of obtaining data as there is very little paperwork needed compared to the other methods. It is also very easy to administer. The researcher also has the chance to specifically target what is to be observed, depending on the type of data being investigated. Observations also permit measurement of actual behavior rather than having reports on intended behavior.

3.4.3.2 Demerits

According to www.statcan.gc/edu 12/09/2014 (1432hrs) it might not be ideal to depend on the results of an observation as the reason for an observe behavior cannot be determined when little or nothing is known about the underlying motives of the people. The author goes to mention that in some cases observational methods can be regarded as unethical especially when done without the people's consent.

3.5.0 Types of Questions

3.5.1 Open Ended Questions

According to Copper M (2011) these are the type of questions where the respondent has a chance to explain and give detail pertaining the answer.

3.5.1.1 Merits

Copper M (2011) alludes that open ended questions allow respondents to include more creativity, information detail, attitude and understanding to the response. The author mentions that open ended questions can be more readily used for secondary analysis because of its use of

demographic information. Unanticipated findings may also be discovered by these type of questions and they permit adequate answers to complex issues.

3.5.1.2 Demerits

Copper M (2011) mentions that open ended questions are analysed quantitatively hence qualitative information is reduced. The author also mentions that it can become difficult to compare answers because of the use of own words by respondents. There is different degree of detail in answering the questions and response rate is usually lower than with close ended questions. It is also mentioned that a greater amount of time is needed to administer these questions.

3.5.2 Close Ended Questions

Copper M (2011) defines close ended questions as those that are fixed and preset by the researcher. They are guided by the type of information that the respondent wishes to get from the research.

3.5.2.1 Merits

According to Copper M (2011), close ended questions are analysed more easily and every answer can be numbered thus giving a statistical interpretation to it. Close ended questions are more specific, hence they communicate similar information to respondents. In the case of large scale surveys, close ended questions tend to take less time. Close ended questions are also easy for respondents to answer and answers to different responses are easier to compare, code and statistically analyse. These type of questions allow the respondent to answer to the more relevant issues thus there will be little or no irrelevant answers to questions.

3.5.2.2 Demerits

Copper M (2011) says that because of the simplicity and limitation of answers, respondents may not actually reflect true meaning and intention of the answer. Close ended questions also do not allow for explanations, questions or opinions to the issue at hand hence this presents a limitation. It is also mentioned that these type of questions can suggest ideas which respondents may have no knowledge of and allow the respondent to answer anyway without the researcher ever finding

out. This type of questions is also said to be confusing as there are many choices of answers offered.

3.6 Likert Scale

It is a psychometric scale commonly involved in a research that includes questionnaires. The site www.statcan.gc/edu 12/09/2014 (1432hrs) alludes that it is actually a sum of responses to several Likert items. A Likert item is a statement that the respondent is required to evaluate so the scale is the sum total of all the Likert items in the questions.

To report on a Likert scale, the values on each selected option is summed and a score is created on each respondent. This score is used to represent a particular trait. In Likert scale question, all items should be categorically similar so that the summed score is a reliable measure of a particular trait being measured.

A Likert scale can be used when one wants an overall measure of a particular topic, opinion or experiment.

3.6.1 Merits

A Likert scale can also be used as it is quick and economic way to administer and score. Fowler FJ (2009) also says that Likert scales are quite easily adaptable and provide direct and reliable assessment of attitude, when the scale is well used.

3.6.2 Demerits

However the author alludes that the scale can easily be faked by individuals who want to show a fake attitude. The internal consistency of the scale can also be difficult to maintain.

3.7 Reliability and Validity

According to Ng and Keasey K (2010) reliability is the consistency of the research .It is the degree to which an instrument measures the same way, each time it is used under the same conditions and with the same subjects. The author goes on to say that reliability is the repeatability of work and it is not really measured but rather estimated. Hine C (2008) defines validity as the strength of the researcher's conclusions, inferences or propositions .A researcher

can check validity by asking if there is a relationship between the program and the outcomes observed.

3.8 Data Presentation

The research used tables and texts to present the data gathered. Bryman A et al (2011) says that these have merits of being easy to understand and interpret. They are also quite simple to construct. However tables lack detailed explanation and this is a disadvantage.

3.9 Data analysis

Ben Kei (2011) say data analysis is a process of evaluating, transforming and modeling data with the goal of discovering useful information, suggesting conclusions and supporting decision making. Methods of data analysis include, data mining text analysis, business intelligence and data visualization. There are basically three methods of data analysis using measures of central tendency, namely mean mode and median.

3.9.1Mean

Ben K (2011) says the mean in each group or condition is calculated by adding up all the scores in a given condition, and then dividing by the number of participants in that condition.

3.9.1.1Merits

The author alludes that using the mean is solid, easy to calculate and understand. The mean is also calculated value which could be obtained even when some details of the data is missing. The mean provides a good basis for comparison.

3.9.1.2 Demerits

Means are not being obtainable by observing a graph or inspection but rather can only be used in a phenomenon where numerical figure can be obtained .A mean cannot be developed from open ended questions

3.9.2 Median

Another way of describing the general level of performance in each condition described by Ben K (2011) is known as the median. If there is an odd number of scores, then the median is simply the middle score having an equal number of scores higher and lower than it.

3.9.2.1 Merits

The author mentions that the median is not influenced by extreme values because it is a positional average and can be calculated in case of distribution with open-end questions. It can also be obtained even when the data is incomplete.

3.9.2.2 Demerits

It is greatly affected even by very small changes in the series. Using median is not suitable for further mathematical treatment except its use in calculating mean deviation. It also does not take into account all the observations

3.9.3 Mode

The final measure of central tendency according to Ben K (2011) is the mode. This is simply the most frequently occurring score.

3.9.3.1 Merits

It is solidly and strongly defined on all observations. It is responsive to further algebraic treatment. It also is the most suitable average when it is desired to give greater weight to smaller observations and less weight to the larger ones.

3.9.3.2 Demerits

It is difficult to apply and compute and also not so easy to understand and is difficult to compute. It is only a summary figure and may not be the actual item in the series. The mode gives greater importance to small items and is therefore, useful only when small items have to be given greater weightage. It is rarely used in grouped data.

3.10 Summary

This chapter discussed the research design, study population, data collection techniques, research instruments, the reliability and validity of the data, data presentation and data analysis. The data collection methods and techniques selected were justified. In the next chapter, the collected data and related findings will be presented and analyzed.

CHAPTER FOUR DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter covers the presentation and analysis of data collected from interviews, questionnaires and observations. The chapter presents data in the form of charts, tables, graphs and descriptive summaries. It also analysis and interprets the data to give it a meaning.

4.1 Response Rate

According to Draugalis Jr C et al (2008) this is also known as completion rate or return rate in survey and refers to the number of people who responded compared to the aggregate of people in the sample or population. It is usually presented as a percentage. Out of the 30 questionnaires sent out 27 where successfully completed and 3 where not successful. The response rate in this research is 91% and this is satisfactory as it is above 70%. The following table shows the response rate on questionnaires sent to PTAF.

Table 4.1.1 Questionnaire response rate

Department	Targeted population	Actual respondents	Percentage response
Accounts	8	8	100%
Sales	6	5	83%
marketing	4	4	100%
HR	3	3	100%
operations	5	3	60%
IT	4	4	100%
OVERALL	30	27	91%

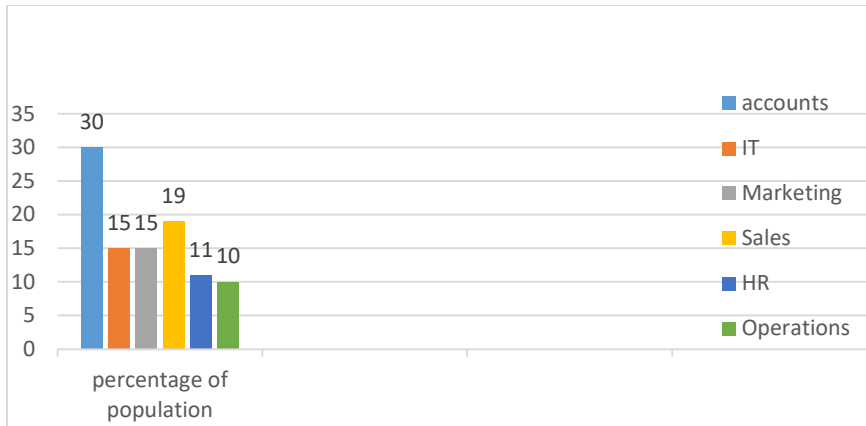


Fig 4.1.1 departments in the organisation

According to the statistics ,the greater portion of the staff at PTAF is in the accounts department (30%), followed by operations with 19%. IT and marketing both has 15% of the population. 11% is in HR and 10 % in operations to make up the total population. The mode is 30% meaning that the bulk of the employees are in accounts department.

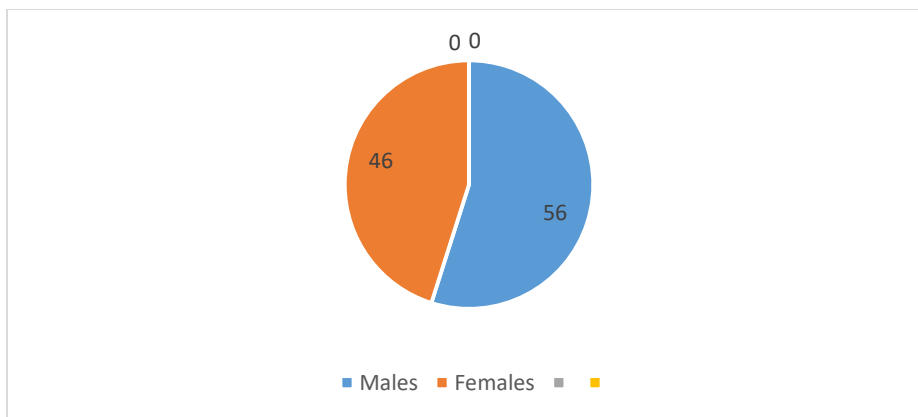


Fig 4.1.2 gender of employees

According to the data collected at PTAF the population consists of more females than males .56%and 44% respectively

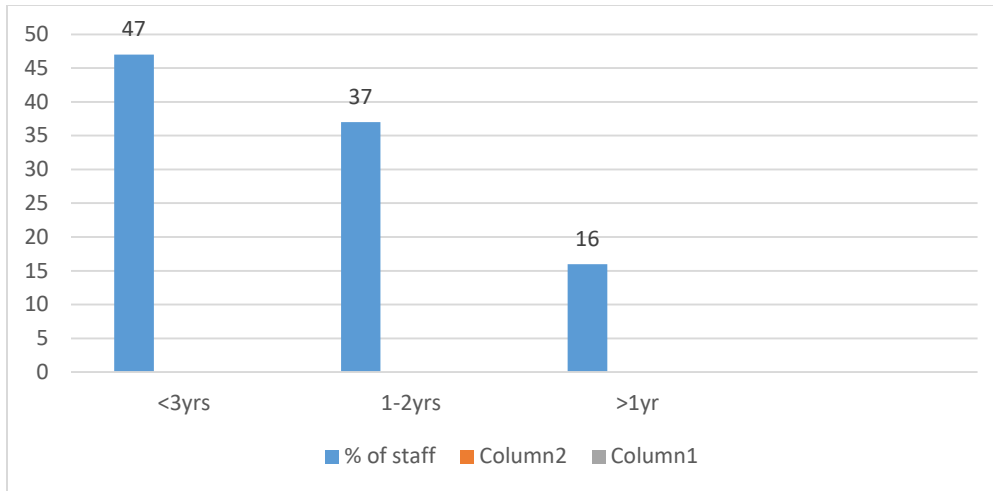


Fig 4.1.3 Years of experience

From the findings, 47% of the staff has over three years experience at the company. 37% ranges between 1-2 years of experience and 16% has less than a year of working experience at the organization.

4.2 Presentation and Analysis of Data

4.2.1 Questionnaires

Table 4.2.1 PTAF has a cash management policy

Strongly agree	Agree	Neutral	Disagree	Strongly agree
2	25	0	0	0
7%	93%	0	0	0

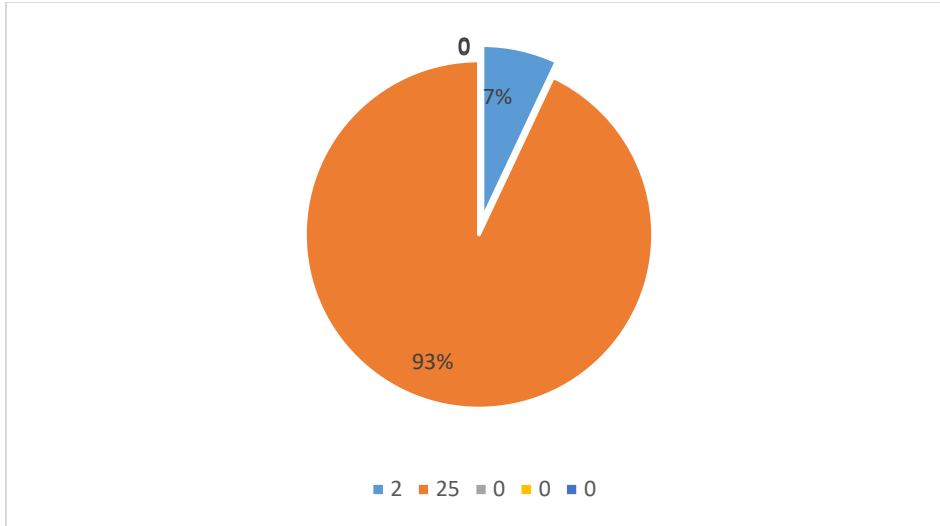


Fig 4.2.1 Cash management policy

On a sample of 27 , 2 people strongly agreed that there is a cash management policy at PTAF , while 25 agreed. Findings show that 100% of the population agree that the company has a cash management policy and of that 100% ,7% strongly agree. Hence we can conclude that it is evident from the statistics that the company in question has a cash management policy.

Table 4.2.2 Finance manager took part in policy formulation

Strongly agree	agree	neutral	disagree	strongly disagree
7	15	4	1	0
26%	56%	15%	4%	0

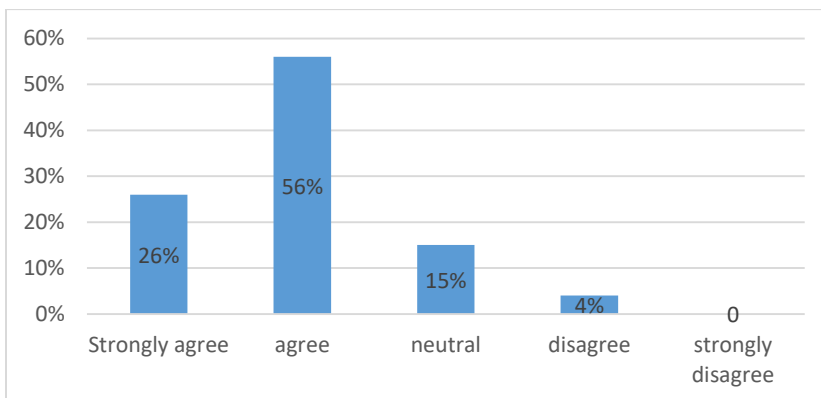


Fig 4.2.2 formulation of policy-finance manager

Out of 27 people 7 strongly agree ;15 agree 4 are not sure and 1 disagrees that the finance manager took part in the policy formulation. From these findings , 26% of the population strongly agree,56% agree ,15% are unsure and 14% disagree. This shows that 82% of the population agrees that the finance manager took part in the policy formulation leaving just 18% to disagree with this notion.

Table 4.2.3 5c

Strongly agree	agree	neutral	disagree	strongly disagree
6	14	7	0	0
22%	52%	26%	0	0

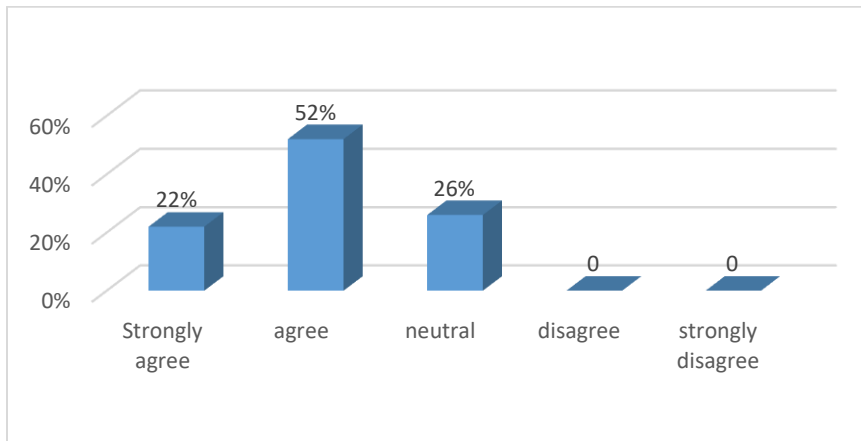


Fig 4.2.3 policy formulation –senior accountant

6/27 people strongly agree,14/27 agree and 7 /27are unsure that the senior accountant took part in its formulation. The findings postulate that 20/27 (74%) of the population agrees and 26% are not sure. It can be concluded that the senior accountant took part in the formulation of the policy.

Table 4.2.4 Policy is well communicated

Strongly agree	agree	neutral	disagree	strongly disagree
2	11	3	10	1
7%	41%	11%	37%	4%

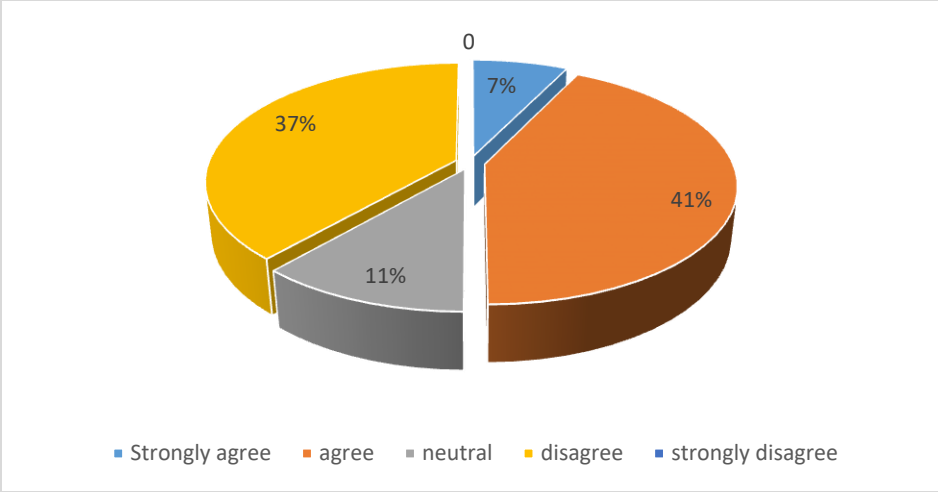


Fig 4.2.4 Is the policy well communicated?

From the sample, 2 people strongly agree ; 11 agree 3 are unsure ,10 disagree and 1 strongly disagrees that the policy is well communicated too all staff. From the findings , 13/27 (48%) agree ,and 14/27 (52%) disagree making the mode 52% .It can be concluded that the policy is not well communicated .

Table 4.2.5 Policy is well documented

Strongly agree	agree	neutral	disagree	strongly disagree
12	14	1	0	0
44%	52%	4%	0	0

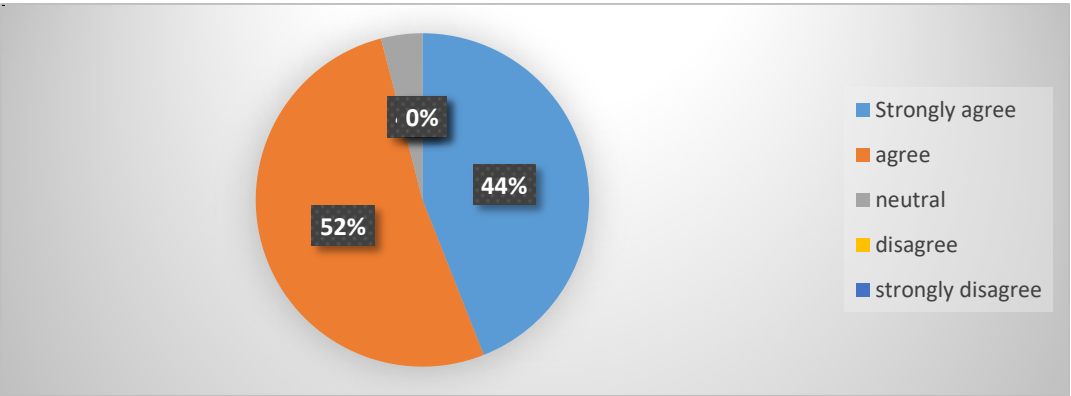


Fig 4.2.5 policy documentation

From the sample,12 people agree;14 disagree and 1 is unsure that the policy is well documented. From the findings, 26/27 (96%) and 1/27 (4%) are unsure making the mode 96% thus it can be concluded that the policy is well documented.

Table 4.2.6 Induction of new personnel into the knowledge of the policy

Strongly agree	agree	Neutral	disagree	strongly disagree
4	20	2	1	0
15%	74%	7%	4%	0

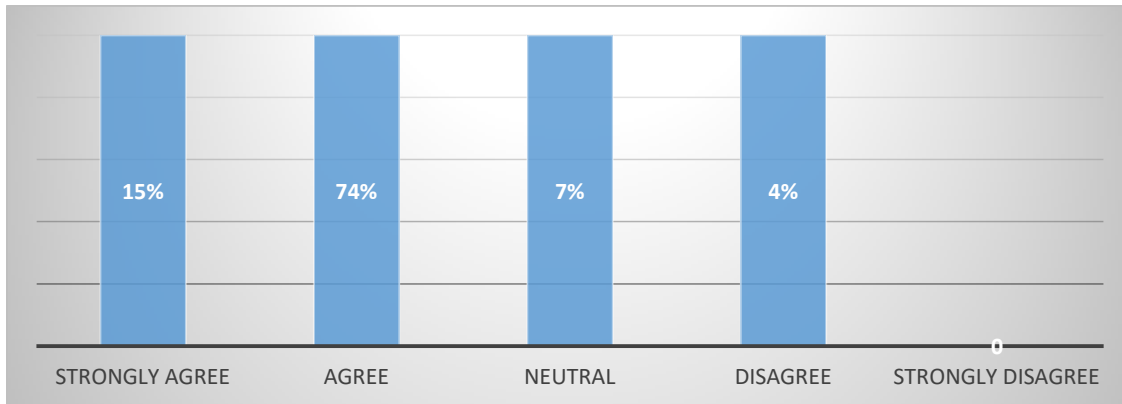


Fig 4.2.6 Induction of new personnel into the knowledge of the policy

The sample shows that 4 people strongly agree; 20 agree 2 are unsure and 1 disagrees that new staff get the chance to be inducted into the knowledge of the policy. From the conclusions 24/27 (89%) agree and 3/27 (11%) disagree .Thus it can be concluded that new personnel are given a chance to be inducted into the knowledge of the policy.

Table 4.2.7 Guidelines to implement cash management policies

	Strongly agree		agree		neutral		disagree		strongly disagree	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
a)PTAF has cash management policy guidelines	5	19%	22	81%	0	0%	0	0%	0	0%

b) The policy is practical	0	0%	12	44%	12	44%	3	11%	0	0%
c) Adequate resources are applied into cash management policy	1	4%	18	67%	7	26%	1	4%	0	0%
d) Enough resources are implemented into the policy	3	11%	10	37%	13	48%	1	4%	0	0%
e) The implementation guidelines are properly documented	9	33%	14	52%	2	7%	2	7%	0	0%

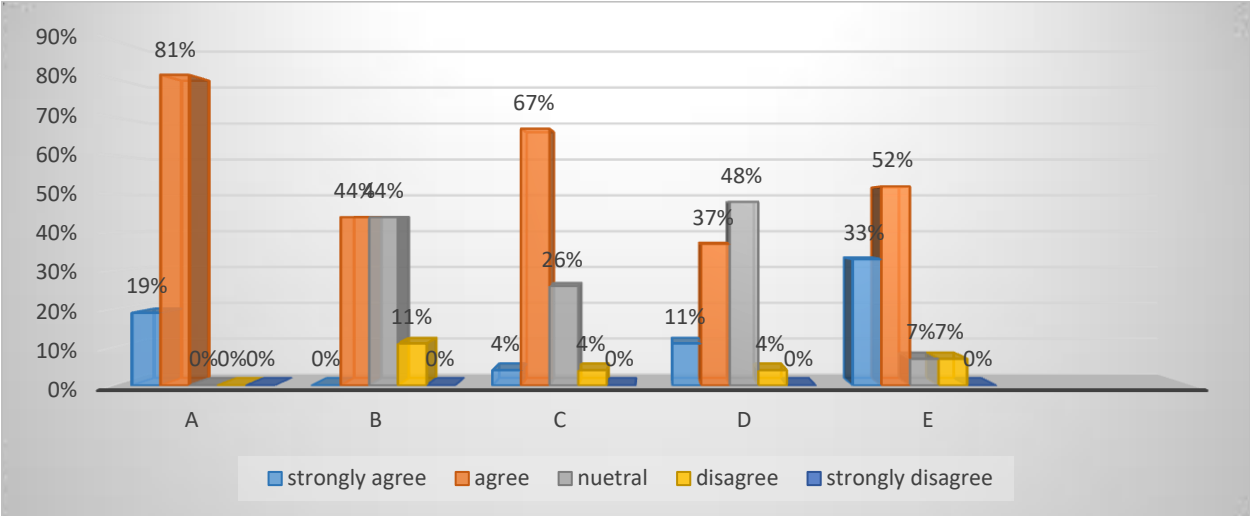


Fig 4.2.6 Guidelines to implement cash management policies

PTAF has cash management policy guidelines

On a sample size of 27 people 5 strongly agree and 22 agree that PTAF has cash management policy guidelines. Findings show that the whole sample (100%) agrees. It can be concluded that PTAF has cash management policy guidelines.

The policy is practical

12/27 agree, 12/27 are unsure and 3/27 disagree. The statistics show that 15/27 (56%) of the population disagree and 12/27 (44%) agree. It can be concluded that the policy is not practical.

Resources applied into cash management policy

Out of 27 people 1 strongly agrees, 18 agree, 7 are not sure and 1 disagrees that adequate resources are applied into the cash management policy. From these findings 19/27 (70%) agree and 8/27 (30%) disagree. It can be concluded that adequate resources are applied into the policy.

Properly documented implementation guidelines

In a population of 27 people 9 strongly agree ,14 agreed , 2 are not sure and 2 disagreed. Thus the findings show that 23/27 (85%) agree and 4/27 (15%) disagree. It can be concluded that the implementation guidelines are properly documented.

Table 4.2.7 Adequacy of staff

Strongly agree	agree	neutral	disagree	strongly disagree
10	17	0	0	0
37	63	0	0	0

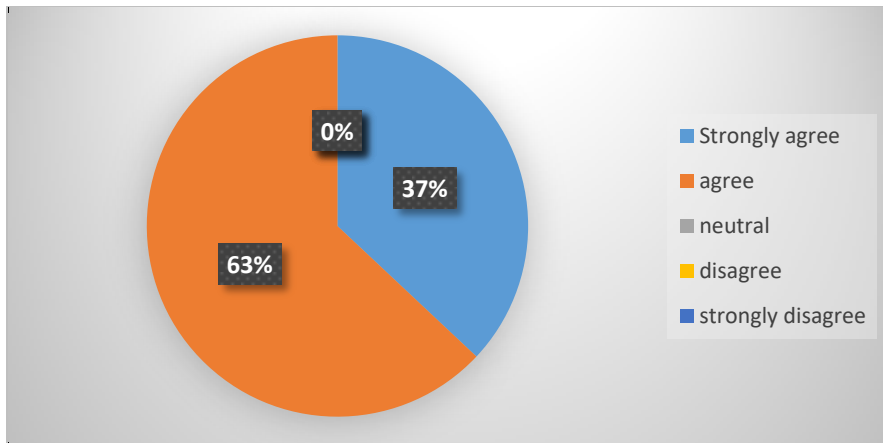


Fig 4.2.7 Adequacy of staff

The sample shows that 10 people strongly agree and 17 agree that there is adequate staff at PTAF. From the statistics The whole population (100%) agree thus it can be concluded that there is adequate staff at PTAF .

Table 4.2.8 Staff assisted to adhere to policy guidelines

Strongly agree	agree	neutral	disagree	strongly disagree
11	13	2	1	0
41%	48%	7%	4%	0%

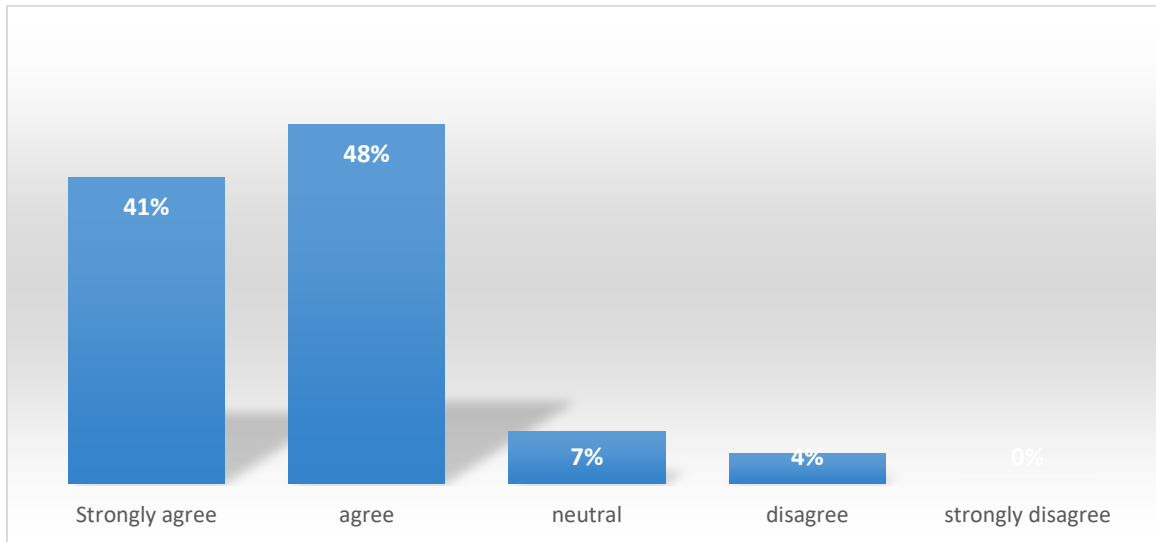


Fig 4.2.8 Assisting staff to adhere to general policy guidelines

The sample shows that 11 people strongly agree 13 agree, 2 are unsure and 1 disagrees that the cash office has people who help the general staff with adherence to policy guidelines. From the findings 24/27 (89%) agree and 3/27 (11%) disagrees. This takes our mode to be 89% which resemble the population which is in agreement thus it can be concluded that the cash office helps the general staff with the adherence to policy guidelines.

Table 4.2.9 Segregation of duties

Strongly agree	agree	neutral	disagree	strongly disagree
6	20	1	0	0
22%	74%	4%	0	0

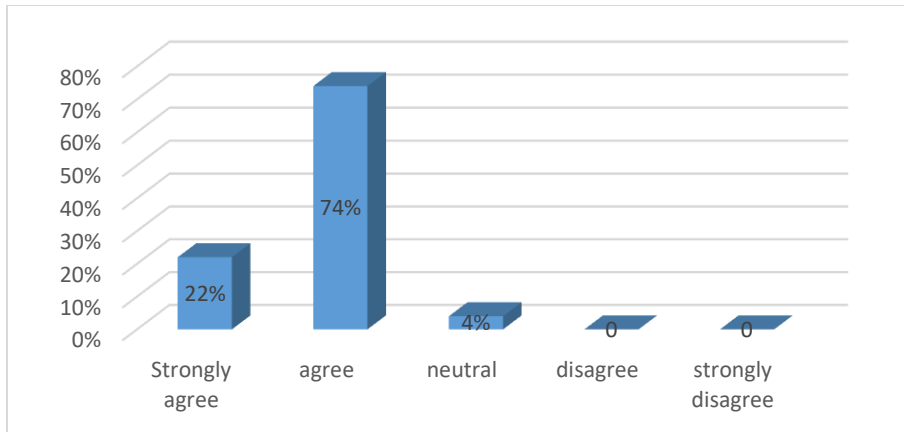


Fig 4.2.9 Segregation of duties

From the sample, 6 people strongly agree, 20 agree and 1 is unsure if the staff at PTAF practices segregation of duties. From the statistics, 26/27 (94%) agrees and 1/27 (4%) disagrees. It can therefore be concluded that PTAF staff practices segregation of duties.

Table 4.2.10 Personnel rated to check for competence

Strongly agree	agree	neutral	disagree	strongly disagree
2	19	5	1	0
7%	70%	19%	4%	0%

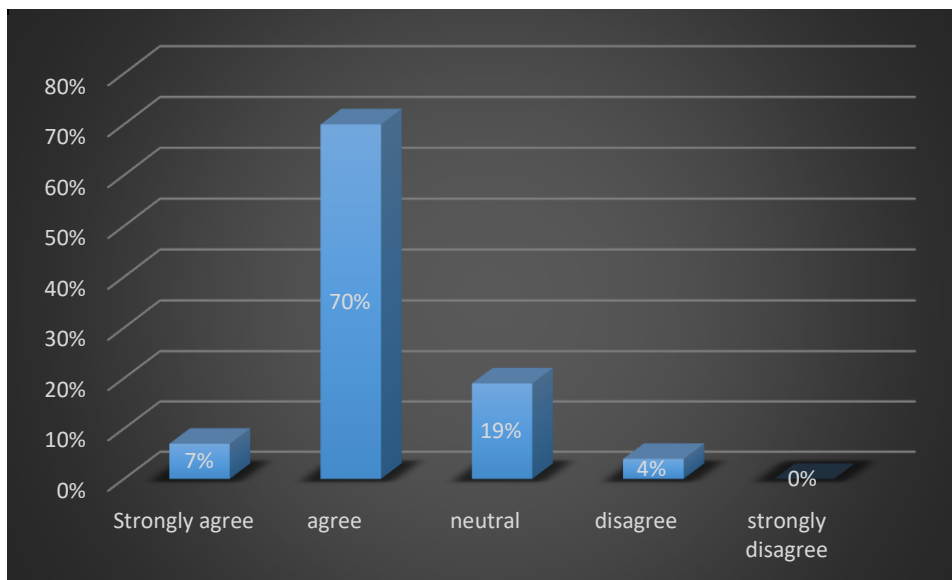


Fig 4.2.10 Personnel rating to check for competence

The sample shows that 2 people strongly agree, 19 agree, 5 are unsure and 1 disagree. Converted to statistics, 21/27 (78%) agrees and 6/27 (22%) disagree. In this case the mode is 78% which indicates that the respondents agree that personnel are constantly rated to check for competence.

Table 4.2.11 Regular training to keep abreast with new developments

Strongly agree	agree	neutral	disagree	strongly disagree
1	16	9	1	0
4%	59%	33%	4%	0%

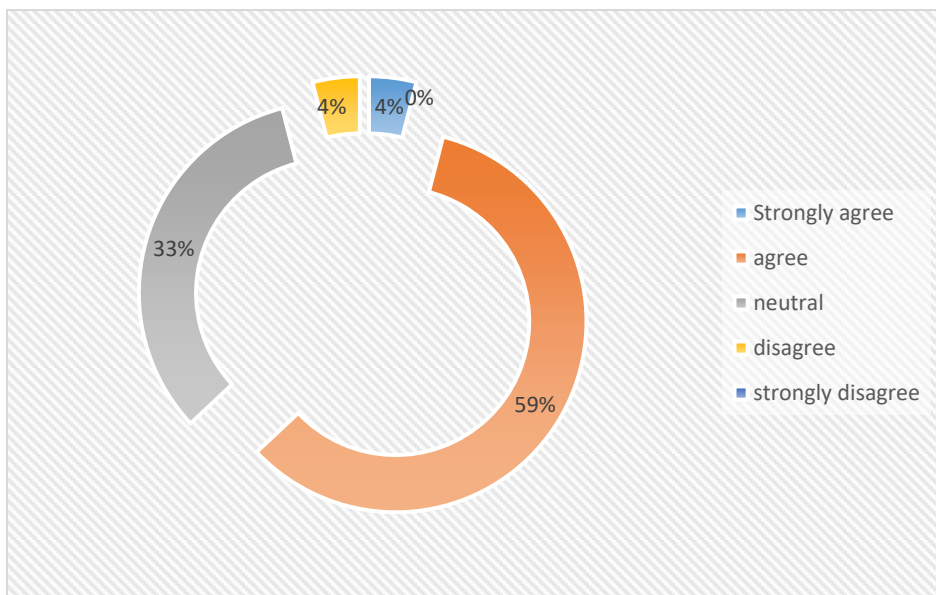


Fig 4.2.11 staff training so as to keep abreast with developments in cash management

According to the sample, 1 person strongly agrees, 16 agree, 9 are unsure and 1 disagrees. From the findings 17/27 (63%) agree while 10/27 (37%) disagree. It can be concluded that staff is regularly trained to keep abreast with new developments in cash management.

Table 4.2.12 Availability of finances for activities to ensure compliance with policy

Strongly agree	agree	neutral	disagree	strongly disagree
1	19	7	0	0
4%	70%	26%	0%	0%

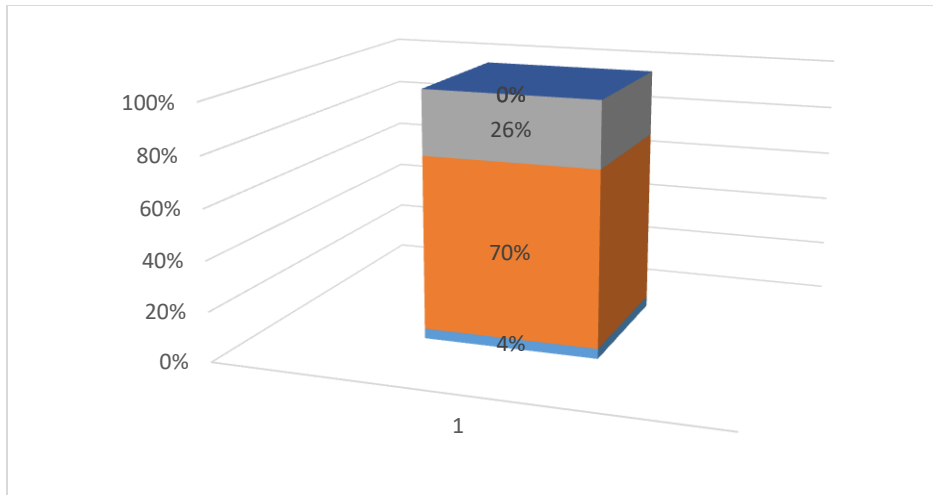


Fig 4.2.12 Availability of finances for activities that ensure compliance with policy

The sample shows that 1 person strongly agrees, 19 agree and 7 are unsure. The statistics reflect 20/27 (74%) agreeing and 7/27 (26%) being unsure. The mode is 74% which reflects the population which is in agreement. It can therefore be concluded that finances are always available at PTAF for activities that need to be done to ensure staff comply with the cash management policy.

Table 4.2.13 Re induction of staff into the knowledge of the policy

Strongly agree	agree	neutral	disagree	strongly disagree
7	15	5	0	0
26%	56%	19%	0	0

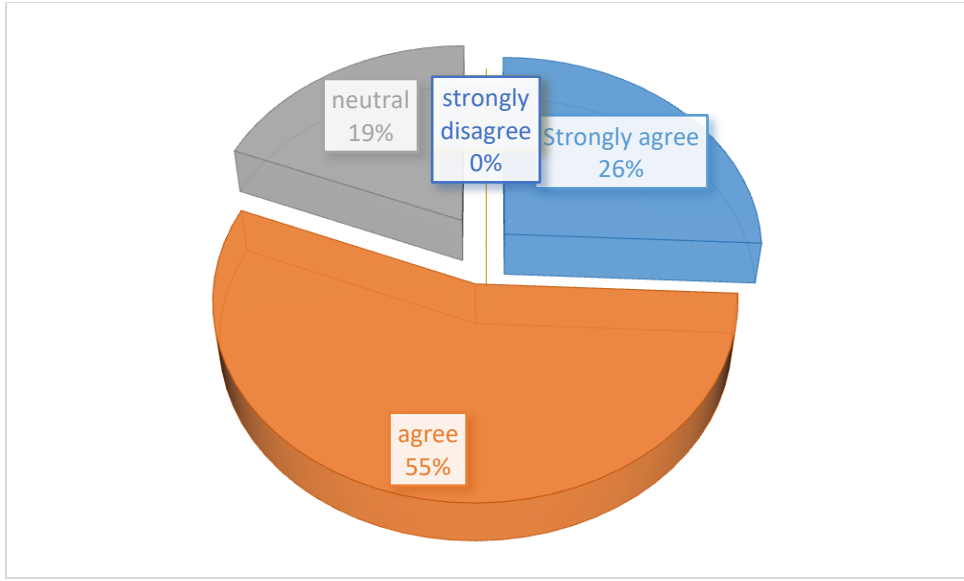


Fig 4.2.13 Re induction of staff into the knowledge of the policy

The sample shows that 7 people strongly agree, 15 agree and 5 are unsure. The findings show that 22/27 (81%) agree , and 5/27 (19%) are unsure .The mode is 81% and it can be concluded that where necessary PTAF staff is re inducted into the knowledge of the cash management policy.

Table 4.2 14 Communication of policy requirements to all staff

Strongly agree	agree	neutral	disagree	strongly disagree
1	9	5	10	2
4%	33%	19%	37%	7%

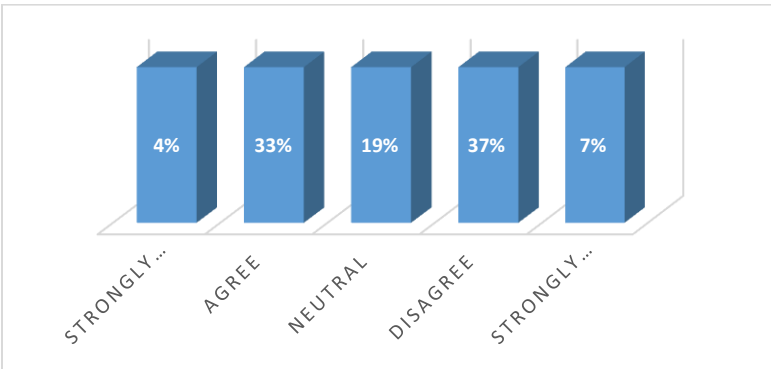


Fig 4.2.14 Communication of policy requirements to all staff

The sample shows that 1 person strongly agrees, 9 agree, 5 are unsure, 10 disagree and 2 strongly disagree. The statistics show that 10/27 (37%) agree and 20/27 (63%) disagree. It can be concluded that the cash management policy requirements are not adequately communicated to all staff.

Table 4.2.15 Employee resistance to cash management

strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	10	2	7	6
7%	37%	7%	26%	22%

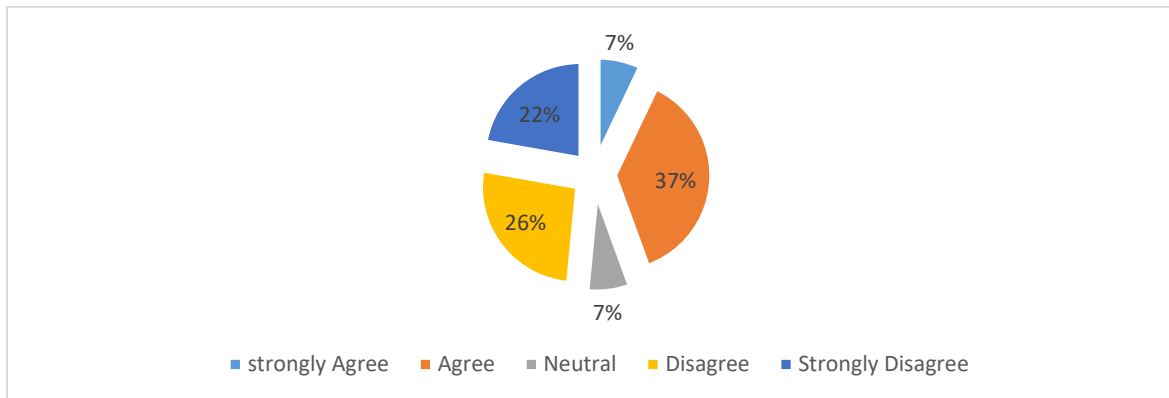


Fig 4.2.15 Employee resistance to cash management

From the findings, out of 27 people, 2 strongly agree, 10 agree, 2 are unsure, 7 disagree and 6 strongly disagree. It follows that 12/27 (44%) agree and 15/27 (56%) disagree hence it can be concluded that there is no employee resistance to cash management at PTAF.

Table 4.2.16 Lack of cash management knowledge among staff

strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	11	3	10	2
4%	41%	11%	37%	7%

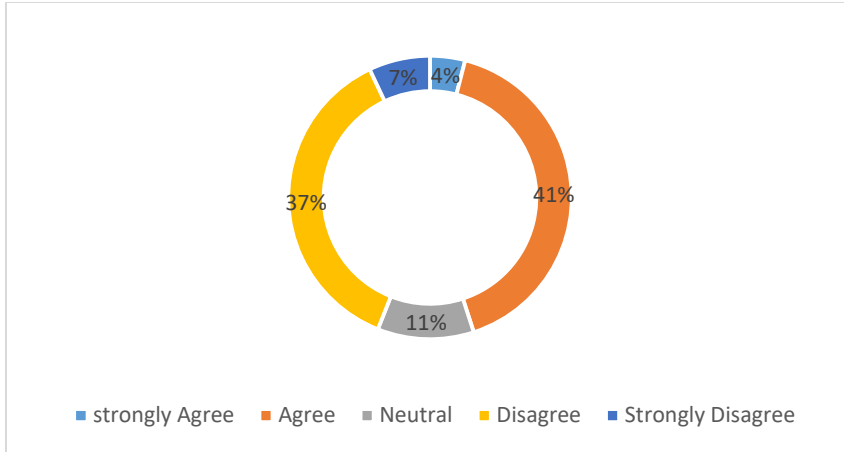
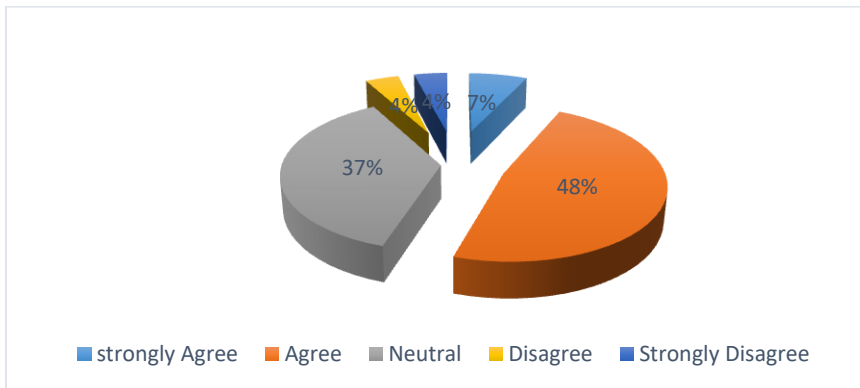


Fig 4.2.16 Lack of cash management knowledge among staff

The statistics show that among 27 people 1strongly agrees, 11agree , 3are not sure ,10 disagree and 2 strongly disagree. It can be interpreted that 12/27 (44%) agree and 15/27 (56%) disagree. It can be concluded that there is ample cash management knowledge among PTAF staff.

Table 4.2.17 High training costs because of contract workers

strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	13	10	1	1
7%	48%	37%	4%	4%



The findings show that 2/27 (7%) strongly agree, 13/27 (48%) agree, 10/27 (37%) are not sure 1/27 (4%) disagree and 1/27 (4%) strongly disagree. This shows that the mode is 48% meaning that there are high training costs due to contract workers

Table 4.2.19 Lack of qualified workers

strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	2	1	7	16
4%	7%	4%	26%	59%

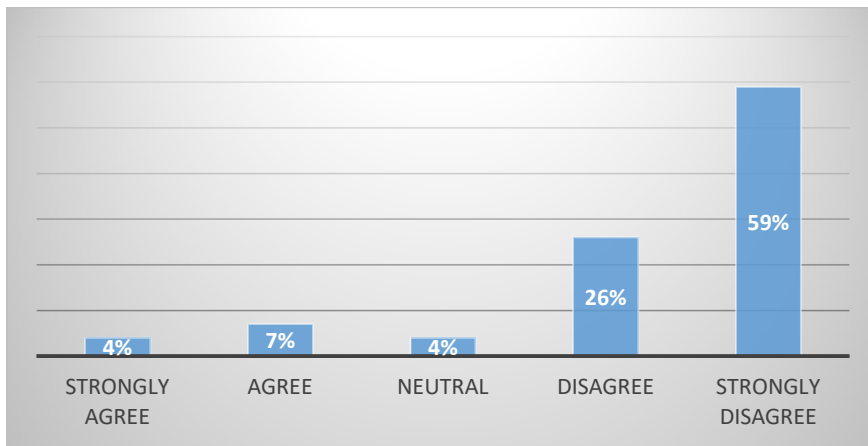


Fig 4.2.19 lack of qualified workers

The finding show that 1/27 (4%) strongly agree ,2/27 (7%) agree 1/27 (4%) are not sure ,7/27 (26%) disagree and 16/27 (59%) strongly disagree. The mode is 59% meaning that PTAF does not have a lack of qualified personnel.

Table 4.2 .19 lack of appreciation of the need for cash management

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	11	10	6	0
4%	41%	37%	18%	0%

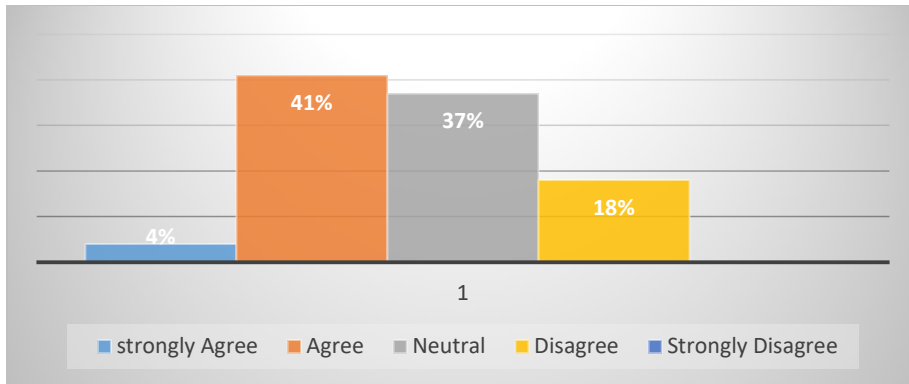


Fig 4.2 .19 lack of appreciation of the need for cash management

The statistics show that 1 person strongly agrees, 11 agree, 10 are not sure, 6 strongly disagrees . In these statistics 12/27 (44%) agree and 16/27 (56%) disagree. It can be concluded that the staff appreciates the need for cash management.

Fig 4.2.20 improper dissemination of information pertaining cash management

strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
8	9	2	6	2
30%	33%	7%	22%	7%

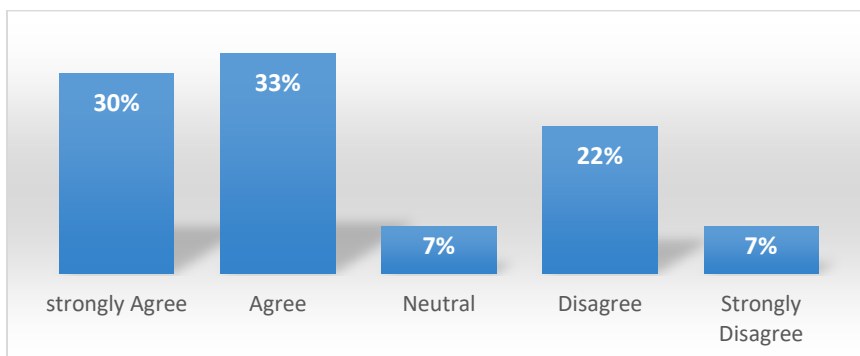


Fig 4.2.20 improper dissemination of cash management information

The statistics show that 8 people strongly agree, 9 agree, 2 are not sure ,6 disagree and 2 strongly disagree. The findings show that 17/27 (63%) agree and 10/27 (37%) disagree .It can be concluded that there is improper dissemination of information at PTAF.

Table 4.2.21 Controls over cash management

Description	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree
a)There is a set of policies that govern the usage of cash	9	33%	17	63%	1	4%	0	0	0
b)Policy is clearly stated to all employees	2	7%	9	33%	12	44%	4	15%	0
c)There are penalties for the violation of the policy	5	19%	18	67%	3	11%	1	4%	0
d)Activities around cash management are regularly audited	2	7%	13	48%	10	37%	2	7%	0
e)Computer accounting system responsibility is carefully separated among staff	2	7%	18	67%	6	22%	1	4%	0
f)PTAF has a system of archival backup to the accounting database	2	7%	20	74%	5	19%	0	0	0
g)Bank reconciliation statements are prepared and reviewed by management	1	4%	18	67%	8	30%	0	0	0
h)Users of point of sale system are offered on the job training	7	26%	18	67%	2	7%	0	0	0
i)overages and shortages are investigated	10	37%	14	52%	3	11%	0	0	0

Policies that govern the generation and usage of cash

Out of 27 people 9 strongly agree, 17 agree and 1 is unsure . The statistics show that 26/27 (96%) of the population agreed and 4% is unsure hence it can be concluded that there is a set of policies that govern the generation and usage of funds.

Clarity of policy to employees

2/27 strongly agree, 9/27 agree, 12/27 are not sure and 4/27 disagree. From the findings 16/27 (59%) disagree and 11/27 (41%) agree. It can be concluded that the policy is not clear and available to all employees.

Penalties for the violation of policy

In the sample 5/27 people strongly, 18/27 agree , 3/27 are not sure and 1/27 disagrees. From these statistics, 23/27 (85%) of the population agrees and 4/27 (15%) disagrees. It can be concluded that there are penalties to be suffered when cash management policies are violated.

Auditing of cash management activities

The sample contains 27 people in which 2 strongly agree, 13 agree 10 are not sure and another 2 disagree. From the results 15/27 (56%) agree and 12/27 (44%) disagree. It can be concluded that activities around cash management are audited.

Separation of computer accounting system among staff

In the sample of 27 people, 2 strongly agree, 18 agree ,6 are not sure and 1 disagrees. The findings show that 20/27 (74%) agree and 7/27 (26%) disagrees. It can be concluded that the computer accounting system responsibility is carefully separated among staff.

System of archival backup to the accounting database

Among 27 people 2 strongly agree, 20 agree and 5 are not sure these outcomes show that 22/27 (81%) of the sample agree and 5/27 (19%) disagree .It can be concluded that PTAF has a system of archival back up to the accounting database.

Review of bank reconciliation statements by management

In a sample size of 27 1 strongly agrees, 18 agree and 8 are not sure . From these findings 19/27 (70%) agree and 8/27 (30%) are not sure, with these results we can conclude that bank reconciliation statements are reviewed by management.

On job training for point of sale system users

Among 27 people, 7 strongly agree, 18 agree and 2 are not sure. From these results 25/27 people 93% agree and 2/27 are not sure. It can be concluded that on the job training is offered to point of sale system users.

Investigation of overages and shortages

In a sample of 27, 10 strongly agree, 14 agree and 3 are not sure. It can be derived from these results that 24/27 (89%) agree and 3/27 (11%) are not sure. It can be concluded that overages and shortages are investigated.

Table 4.2.22 Techniques for best cash management practices

Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
4	15%	22	81%	1	4%	0	0%	0	0%
11	41%	14	52%	1	4%	1	4%	0	0%
3	11%	10	37%	7	26%	7	26%	0	0%
12	44%	13	48%	1	4%	1	4%	1	4%

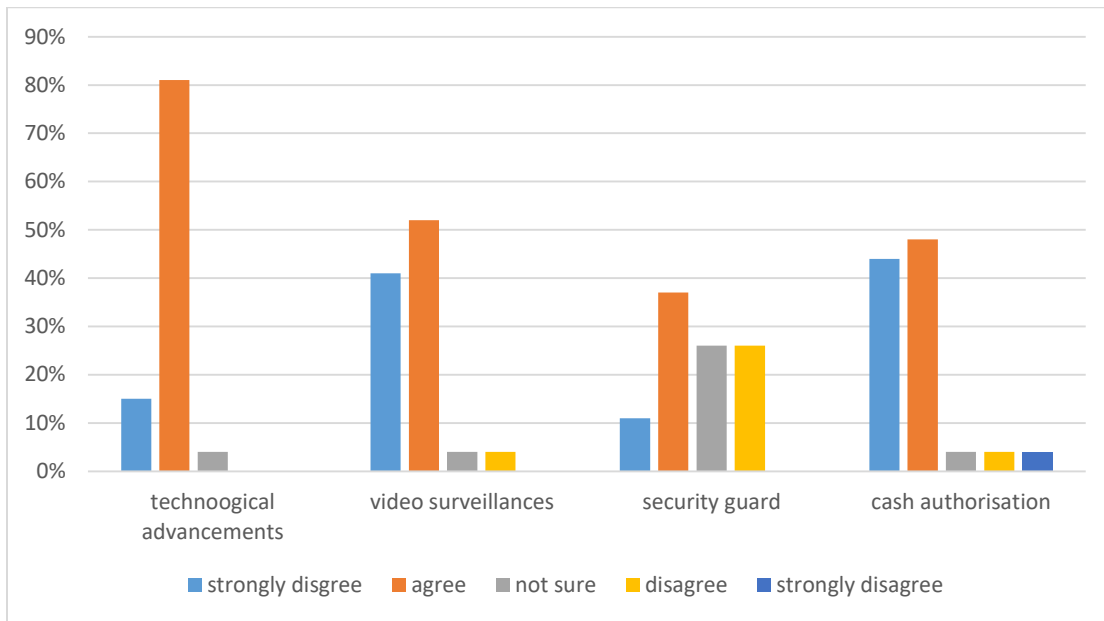


Fig 4.2.22 Best cash management practices

Technological advancements

From a sample of 27 4 strongly agree ,22 agree and1 is not sure so from these findings 26/27 (96%) agree and 4% are not sure. It can be concluded that the company should keep abreast with technological advancements in cash management.

Video surveillances

Out of 27 people 11 strongly agree ,14 agree 1 is unsure and 1 disagrees. From these findings 25/27 (93%) agree and 2/27 (7%) disagree. It can be concluded that video surveillances should be used to monitor work in the cash offices.

Security Guard

Out of 27 3 strongly agree, 10 agree 7 are not sure and 7 disagree. These statistics show that 13/27 (48%) agree and 14/27 (52%) disagree .it can therefore be concluded that staff do not agree that a security guard should be available at every cash transaction as a technique for best cash management.

Cash authorization

From a sample of 27, 12 strongly agree, 13 agree 1 is not sure and 1 disagrees. These findings show that 25/27 (93%) agree and 2/27 (7%) disagree. It can be concluded that cash should be authorized by different authoritative personnel before disbursement.

4.3 Interview Response Rate

Sixty seven percent (4/6) of the interviews where successful. The unsuccessful interviews where caused by the respondents being occupied by other pressing issues during the time when the researcher wanted to carry out the interviews. This response rate is satisfactory considering my type of research , this is according to Survey Monkey (2009).

Table 4.3.1 response rate

description	Interviews arranged	Interviews conducted	Percentage response rate
Finance department	3	2	67%
IT department	1	1	100%
Sales department	1	0	0%
Operations	1	1	100%
TOTAL	6	4	67%

4.3.1 Responses to Questions

Question 1; briefly explain the cash management policy at PTAF

Out of the 4 interviewees, 3 of them (75%) quite clearly explained the cash management policy at the organization, alluding the contents of the policy and explaining the uses thereof. On the other hand 1/4 (25%) of the interviewees showed miniature knowledge on cash management but could only concur that a cash management policy exists in the organization. This showed that basically management is well knowledgeable about the cash management policy at the company.

Question 2; How has it been helpful to ensure cash management is more efficient?

All the respondents 100% noted that it has been helpful for PTAF to ensure cash management is more efficient. The respondents alluded that it allowed the company to retain extra funds because they were more efficient in their transactions. They also mentioned that being efficient in cash management saved the company from unnecessary losses.

Question 3; Are there any bad cash management practices in the company? How do you suggest they can be curbed?

Of the respondents 2/4 (50%) of the interviews where certain that the company has no bad cash management at all. However the other half noted that there are bad practices, which including being too liquid and operating on a cash basis rather than using the wiring system

Question 4; Between the Miller Orr and the Baumol models of cash management, which would be more suitable for PTAF to implement?

One of the four (25%) interviewees noted that the Baumol model was a more suitable model for a SME like PTAF as this is less complex and assumes a constant disbursement base. The interviewee alluded that using models can help a company establish the optimal amount of cash to hold on to. Three out of four (75%) of the respondents displayed no knowledge of these models and did not think it was necessary to implement them.

Question 5; What can be done to improve cash management at PTAF?

The respondents all noted that cash management can be improved and cited a number of methods. Mentioned more often was communication within the organization, both vertically and horizontally. The interviewees also mentioned that management should stiffen controls over cash and ensure that financial statements reflect a true and fair view.

Question 6: In your view does the company always hold enough cash or there is usually a surplus/deficit

Of the respondents, $\frac{3}{4}$ (75%) alluded that seldom does the company hold enough cash but rather there is always either a deficit or a surplus depending on whether the organization is on season or off season. However $\frac{1}{4}$ (25%) of the respondents alluded that the cash in the organization is always in adequate amounts.

Question 7; Has the company ever lost on potential investment because of what seemed like poor cash management?

Of the respondents $\frac{3}{4}$ (75%) agrees that the company has in some instance lost on potential investments because of poor cash management although it was probably attributed to something else like poor economic growth in the country. However $\frac{1}{4}$ (25%) of the respondents alluded that although it is inevitable that the company has succumbed to poor cash management they noted that the effects were immaterial and couldn't have caused any loss in potential investments.

Question 8; How does the company manage the computer information system considering its relationship with cash management?

The respondents pointed out that computer information system management is a very delicate aspect in the company and is managed with caution. The system responsibility is carefully separated among staff by ensuring that ,for instance the person with access to accounts payables ,do not have access to accounts payables.

Question 9 : How effective is the outside accountant in dealing with cash flow management?

The respondents noted that although PTAF does not implement this, the use of an outside accountant is a worthy control mechanism which could improve cash management at the company by making the accounts more reliable and verifiable

Question 10 ; How is management trying to improve paperwork administration in terms of cash management?

The respondents mentioned that management is trying to administer paperwork by actually cutting it down and using a more electronic system. On the other hand the respondents pointed out that enough paperwork should be drawn up when requesting petty cash or drawings from the bank, so as to try and curb financial fraud.

4.4 Summary

This chapter dealt with the presentation and analysis of research data findings. The Presentation and analysis was done through the use of graphs, pie charts , tables and descriptive summaries. The following chapter looks at the summary of the findings, recommendations and the conclusion of the study

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter sums up the findings and recommendations made on how the company under review would improve cash flow management.

5.1 Chapter Summaries

Chapter one outlined the introduction of the research .It contained the background of the cash flow management crisis at Premier Tobacco Auction Floors. It stated the problem as being an unnecessary increase in liabilities thus scaring away investors and other stakeholders. The chapter outlined the research questions and objectives .The justification of the study ,assumptions, limitations, delimitations and key definitions where given.

Chapter two was about drawing up the necessary literature vis a vis the subject under review. Literature was given on the cash management policy by different authors, including cash flow analysis, collections and cash handling. Literature was also given on the guidelines to implement these policies. The researcher also included literature on personnel capacity to implement the policy, cash management challenges , controls that are in place over cash management and the best practices thereof.

Chapter 3 covered the research methodology using a descriptive research design. The research used a census for its population size because it was carried out during the off season period when most PTAF staff will be on leave . In an effort to implore information from the population ,the researcher used questionnaires, interviews and observations. The researcher also got secondary information from secondary sources like the internet ,books and company financial reports.

In chapter 4 the data obtained from chapter three was brought together and analysed. The response rate was not 100% , rather it was 91% and 67% for questionnaires and interviews respectively. Tables pie charts and graphs were used to present the data.

5.3 Major findings

The cash management policy at PTAF

Evidence show that there is a cash management policy at PTAF , however knowledge about it is limited as staff is not well versed with information pertaining it formulation. The policy is said to be well documented but not communicated fully.

Guidelines to implement cash management policies

It is evident that PTAF has cash management policy guidelines and fairly enough resources are put into it. However the policy is not very practical in spite of it being properly documented. The company is also aiming to keep abreast with latest technological advancements in line with cash management as postulated by Reider R (2008).

Availability of personnel

The findings show that there is adequate staff at the company but since all departments have access to cash in their day to day activities, there is need for general staff to have an appreciation of the cash management policy. This seems to be lacking as the requirements of the policies are not adequately communicated to all staff. However the company practices satisfactory segregation of cash related duties and the staff is regularly trained rated and financed to keep abreast with any developments in cash management. This was mentioned by Stephen M Brag (2013) to be a vital cash management practice. The company also applies the principle advocated by Haford J (2009) of having an outside accountant so that a true and fair view of these findings is guaranteed.

Cash management challenges

The only challenges that where acknowledged in terms of cash management where lack of cash management knowledge among general staff, high training costs because of contract workers, a lack of appreciation of the need for cash management and improper dissemination of information pertaining cash management. It was also noted the company was not using cash management models to measure the appropriate amount of cash to hold on to.

Controls over cash management

There is a set of policies that govern the generation of cash and these are clearly stated and available to employees . There are also penalties that go with not adhering to these policies. The company ensures that cash audits are done regularly . Archival back up is also available to the accounting database which was advocated for by Matt H Evans (2012) as being a powerful cash control measure.

5.4 Recommendations

Sharpening the communication channel

Communication is vital for the success of any project or venture. For cash management policies to be well implemented ,they have to be communicated efficiently to all related parties.

Information should descend well throughout the organization. Information on cash management policies and procedures should not be with management only but should foldaway vertically and horizontally. Ultimately planning and cooperate governance should increase, the company should establish risk areas in the cash management policy and protect themselves from those.

This can include having a centralised cash processing and storage system and regular cash reconciliation for controls and the audit process. The company should also have a transparent business industry so as to enable the business to grow steadily and outmaneuver competitors.

Stiffer controls

The controls should include video surveillance in the cash offices , administering enough paperwork in the requisition and withdrawal of funds .The company should have leverage so as to be able to simulate and evaluate any kind of cash management risk .This can include applying a software that notifies them if the creditors figure is un acceptable. This software should also help collect from debtors especially during the tobacco selling season when transactions are too many . PTAF should also apply mathematical measurements so as to make fact based trading. Cash management models can be used to establish the optimal amount of cash to hold .

Preference can be made to the Baumol Model which assumes a constant disbursement base. This is less complex and is more suitable for smaller enterprises like the one in question.

Minimizing government grants

In Zimbabwe the agriculture and tobacco industry are delicate to the government as they are the major economic drivers. For this reason , the government would more readily offer grants and loans to tobacco companies. This however may cripple the cash management of the country as the funds would accrue with it high interests which would ultimately increase obligations in accounts payables.

5.3 Suggestions for future research

Further research should be made on tobacco industry revenue and how it should be managed in order to yield more proceeds.

5.4 Summary

This chapter contained the summary of the dissertation. It discussed major findings of the research questions and compare literature on cash flow management to the findings of the research .recommendations to the problems and a summary was also given.

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APPENDIX 1
COVER LETTER
QUESTIONNAIRE LETTER

Department of Accounting
Midlands State University
Private Bag 9055
Senga
Gweru

12 September 2014
Premier Tobacco Auction Floors
334 Affirmative Way
Willowvale
Harare

Dear Sir /Madam

Ref: Seeking authority to carry out research

I am Melisa , C Mukandi ,a final year student at the Midlands State University. In partial fulfillment of my degree I am required to research on an accounting topic of my choice. My topic is ‘**Assessing cash flow management at Premier Tobacco Auction Floors**’ , following my observations during my work related learning at your organization.

I am seeking authority to carry out a research at your organization so as to gather information to help complete my research.

The information and data received will be used strictly for research purposes. The confidentiality of the organization will not be compromised in any way.

Thank you for your cooperation in advance

Regards

Melisa C Mukandi

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**APPENDIX 2
QUESTIONNAIRE**

Questionnaire for Premier Tobacco Auction Floors executive and non executive staff.

An analysis of the cash management system at PTAF

Guidelines.

1. Please tick the appropriate box for the answer and fill in the relevant spaces
2. Do not write your name on the questionnaire

NB: Responses will be treated as confidential information and will be used for the purposes of this research only.

Details of Respondent

1. Gender: Male Female

2. Department

Accounts HR Sales Marketing IT
Operations
Others (specify).....

3. You have been in the department for:

Less than 1yr 1-2yrs More than 3yrs

4. Academic qualification

'A' Level Diploma First Degree Masters
Other (specify).....

5. Assessing the cash management policy at PTAF

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a) PTAF has a cash management policy.					
b) The finance manager took part in its formulation					
c) The senior accountant took part in its formulation					
d) The policy is formally communicated to all staff					
e) The policy is well documented					
f) New staff have the chance to be inducted into the knowledge of the policy					

6. Guidelines to implement cash management policies

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a) PTAF has cash management policy guidelines					
b) The policy is practical					
c) Adequate resources are applied into the cash management policy.					
d) Enough resources are implemented into the policy					
e) The implementation guidelines are properly documented.					

7. Availability of personnel to the implement policy guidelines

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a) There is adequate staff at PTAF					
b) The cash office has people who help general staff with the adherence to policy guidelines.					
c) The staff at PTAF practices segregation of duty					
d) Personnel are rated constantly to check for competence					
e) Staff is regularly trained to ensure that they keep abreast with new developments in cash management					
f) Financial resources are always available					

for activities that ensure staff complies with policy					
g) Where necessary ,staff is re inducted into the knowledge of the cash management policy					
h)cash management policy requirements are communicated to all staff					

8.The following are PTAF cash management challenges to date

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a)Employee resistance to cash management					
b)Lack of cash management knowledge among staff					
c)High training costs because of contract workers					
d)Lack of qualified personnel					
e)General staff's lack of appreciation of the need for cash management					
f)No proper dissemination of information pertaining cash management .					

9. Controls put in place over cash management

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a)There is a set of policies that govern the generation of cash.					
b)Policy is clearly stated and available to all employees.					
c)There are penalties for the violation of policy.					
d)Activities around cash management are regularly audited.					
e)Computer accounting system responsibility is carefully separate among staff					
f)PTAF has a system of archival backup to the accounting database					
g)Bank reconciliation statements are reviewed by management					

h) Users of point of sale system are offered on the job training					
i) overages and shortages are investigated					

10. The following techniques are implemented for best cash management at the organisation

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a) The company keeps abreast with technological advancements in cash management					
b) Video surveillances are used to monitor work in the cash offices					
c) A security guard is always available on every cash transaction					
d) Cash is authorized by different personnel before it is disbursed.					

APPENDIX 3

INTERVIEW GUIDE

Interview questions

- 1 Briefly explain the cash management policy at PTAF?
- 2 How has it been helpful to ensure cash management is more efficient?
- 3 Are there any bad cash management practices in the company? How do you suggest they can be curbed?
- 4 Between the Miller Orr and the Baumol models of cash management, which would be more suitable for PTAF to implement when monitoring cash flow?
- 5 What do you think can be done to improve cash management at PTAF?
- 6 In your view does the company always hold enough cash or there is usually a surplus/deficit?
- 7 Has the company ever lost out on potential investment because of what seemed like poor cash management?
- 8 How does the company management the computer information system , considering its relationship with cash management?
- 9 How effective is the outside accountant/auditor in dealing with cash flow management?
- 10 How is management trying to improve paperwork administration in terms of cash management?