

**St. Mary's University College  
Faculty of Business  
Department of Management**

**An Assessment of Cash Management Practices  
(The Case of National Oil Company-NOC)**

**By  
Sinafiksh Wodajo**

**June/2010  
SMUC  
Addis Ababa-Ethiopia**

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(The Case of National Oil Company-NOC)**

**A SENIOR ESSAY SUBMITTED TO  
THE DEPARTMENT OF MANAGEMENT,  
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OF BACHELER OF ARTS IN MANAGEMENT**

**BY  
SINAFIKSH WODAJO**

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SMUC  
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# **ST.MARY'S UNIVERSITY COLLEGE**

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**FACULTY OF BUSINESS  
DEPARTMENT OF MANAGEMENT**

APPROVED BY THE COMMITTEE OF EXAMINERS

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|    | Advisor           | Signature |
| 3. | _____             | _____     |
|    | Internal Examiner | Signature |
| 4. | _____             | _____     |
|    | External Examiner | Signature |

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## **Abbreviations**

**NOC National Oil Company**

**LCs Letter of Credits**

**NSF Non Sufficient Fund**

**SMUC- St.May's University College**



## Abstract

*The study is conducted with the main objective of assessing the quality of cash management practice at National Oil Company (NOC). Accordingly, an attempt is made to see the company's cash forecasting technique, management of cash shortage and overages, and its collection and payments systems. Besides, internal control related issues (such as approval system and segregation of duties), as well as transaction processing and documentation are dealt with. To this end, primary data is collected from 15-employees by questionnaire, which also supplemented by personal observations. Secondary data is collected by reviewing company documents and other sources. After data is a summarized using table, simple descriptive statistical tool (i.e. percentage) used in presenting and analyzing the results.*

*Generally, the study found that the company's cash management practice is satisfactory. There is effective forecasting technique, and the management of cash shortage and overage is good. Moreover, the company's systems of cash collection (by checks, via bank deposited); and system of cash payments (by checks and cash) are efficient and convenient for the company and its customers. However, the collection system has some inherent deficiencies of routine nature such as occurrence of large numbers of bounced checks from customers, improper handling of deposit slips, and use of non-sequential collection receipts and untimely encoding of such receipts (in some cases), inadequate listing of specific invoices for each collected receipts, lack of minimum coupon sales thresholds, and other related problems. Similarly, the payment system has problems such as using payments vouchers with out supporting documents(in some cases), delay in receiving of clearing invoices from clearing agents, delay in recording of insurance and other similar payments, and improper handling of letter of credits among other things.*

*Some aspect of control process (such authorization system) is also appropriate, though segregation of duties over some cash related transactions is not adequate. However, there are problems of varying degree in the areas of data recording, processing and documentation of financial files. Some of the problems identified are delay and inadequacy of data recording and posting, inefficient bank reconciliation process (partly manual), inadequate protection and follow-up of financial documents among other things.*

*As the result of the study shows, most of the aforementioned problems are routine in nature, which occur due to reasons such as stressful working condition, lack of adequate segregation duties(in some cases),lack of adequate communication, limited awareness creation on the part of customers, and lack of job related trainings for employees among others.*

*Hence, to realize competitive cash management systems in line with prevailing competitive business environment, the company should react to the existing problems in a proper manner.*

## **Declaration**

**I, the undersigned, declare that this senior essay/project is my original work, prepared under the guidance of Mr. Ephrem Admassu. All sources of materials used for this research are duly acknowledged.**

Name: -----

Signature: -----

Place of Submission: -----

Date of Submission: -----

## **Submission Approval Sheet**

This Senior Research Paper has been submitted to the Department of Management in Partial Fulfillment for the Requirements of Bachelor of Arts Degree in Management with my Approval as an Advisor.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date of Submission: \_\_\_\_\_

# CHAPTER-ONE: INTRODUCTION

## 1.1. Background of the Study

Cash is the most important resource possessed and used by various organizations. It is transacted by different government and non government organizations in relation with their operational activities. Cash is also involved in almost all transactions/activities of any organization. Hence, proper management and utilization of this important asset is very decisive in ensuring the development merit of a nation in general, and the operational success of any entity in particular, whether it has business or non business orientation.

Basic cash management/treasury management/ propitiates the development of administrative techniques conducive to optimizing the level of disposable assets (cash) to be maintained by a company (Myers et.al., 1984). To prevent breaks or gaps in the trading cycle due to lack of cash, administrators must calculate the cash amount best suited to their level of activity, plan the timing of the relevant payments and collections and draw up a policy of investment in assets with high liquidity that can be converted to cash at a low transactional cost to serve as support for the treasury funds maintained by the company (Kamath et al., 1985). It is therefore essential to establish the right level of disposable assets to short-term financial investments at companies.

Holding too low cash safety margin may result in financial difficulties, with firms unable to meet needs that may arise at any given time or unable to take advantage of unexpected investment opportunities. On the other hand, maintaining too much cash surplus could enable a firm to carry on transactions smoothly by avoiding treasury gaps and cover any unexpected needs for cash by acting as a preventive balance (Ibid). However, there are also disadvantages in

being too conservative (holding too much cash), as reflected in the opportunity costs entailed by assets with little or no profitability (Kamath et al., 1985). Having liquid assets (cash) available constitutes an opportunity cost for a company as the return on those assets is lower than the return on productive investments.

Thus, the particular importance of the responsibility of the company financial manager/ treasurer/ should lead companies to conduct an overall analysis of the periodic sources and uses of cash, the management and control over various cash collections and payment circuits, and thereby avoid any kind of misuse of cash, such as misappropriation, and unjustified cash shortages and overages (Palom & Prat, 1984).

However, in many instances, such requisite planning and controlling system is not up to standard, and hence poor cash management is highly manifested in many cases. This research is, therefore, initiated with this background, and attempted to see the cash management practices of National Oil Company (NOC).

## **1.2. Background of the Organization**

National Oil Company (NOC) was conceived by three individuals and established in 2004, with strong commitment and objective of filling the huge gap that exist in the down stream oil market in the country. It is the first indigenous oil company established following reforms made by the government of Ethiopia to encourage investment in the oil industry that has been under the domain of multinationals for about a century. Its head office is located in Addis Ababa, Bole Sub-City, in front of Atlas Hotel. The company has started off its operation with 100 million Birr paid up capital. Its net worth and annual turnover has reached Birr 300 million and 500 billion respectively. The company has three tiers

objectives: bottom line accountability, Profit, social development and protection of the environment (*MIDROC , 2009*).

NOC is fastest growing oil company operating in the down stream oil businesses of Ethiopia. It is also marketing Caltex lubricants, one of the world leading lubricant brands of the three giant corporations-Cheveron, Caltex, and Texaco that are involved in upstream and down stream energy business in the world. With its 16% network share in the industry, the company has captured a market share of 31% in product supply as of November 30, 2008, competing with multinationals, which are already comfortably operating in the Industry. It has constructed and made operational over 100 multipurpose high level standard stations across the countries that are either sole or jointly owned/operated. It has created a job opportunities for over 6,000 employees directly or indirectly environment (*MIDROC, 2009*).

### **1.3. Statement of the Problem**

Proper management of cash is decisive in ensuring the success of any organization in achieving its objectives. However, in many instances, government and non-government organization face the challenges of poor cash management. The ability of organizations' cash management are affected by many factors such as lack of proper planning and synchronization of cash requirements and collection in relation to the operation of the business, absence of effective control system such as lack of proper authorization over cash transactions, lack of effective and efficient cash payment and cash collection systems among other things. In light of this, an attempt is made to assess the cash management practice of NOC.

## **1.4. Basic Research Questions**

In this research, the following questions are addressed.

- i. Does the company use proper cash forecasting/planning/ techniques in determining its periodic cash sources and uses (requirements)?
- ii. How are the cash overages and shortages handled by the company whenever they occur?
- iii. Does the company use proper cash collection and cash payment systems?
- iv. Are the various cash transactions being approved by the right authority before being effected?

## **1.5. Research Objectives**

### **General Objective**

The general objectives of this research are to assess the quality of cash management practice of NOC.

### **Specific Objectives**

The specific objectives of the research are:

- i. investigate whether the company has a proper systems of planning for its periodic cash sources and requirements
- ii. assess whether there is a proper handling of cash shortages and cash overages when every they occur.
- iii. investigate whether there is proper cash collections and cash payment systems used by the company.
- iv. assess the adequacy of systems of approval used by the company before effecting various cash payment and collection transactions.

## **1.6. Significance of the Study**

This research is expected to contribute in many ways. For one thing, it could contribute to the existing body of knowledge on the area of cash management. It could also assist the academic activities as students, instructors and other on the area could refer to it for their respective purposes. Furthermore, the findings and recommendations of the research are expected to be used by other parties such as company managers, and other policy makers.

## **1.7. Scope of the Study**

The scope of this study was limited to assessing the quality of cash management system of NOC with particular reference to cash planning systems, authorization of cash transactions, and cash collections and payment systems of the company. The study attempted to assess the systems of cash management used by the company since 2009.

## **1.8. Definition of Terms**

Cash is any medium of exchange that is accepted by Bank at face value. It includes paper money, checks, coins etc (*Internet*).

## **1.9. Research Design and Methodology**

### **1.9.1. Research Design**

The study used descriptive research method, because the main purpose of this study was to describe the quality of cash management practice of NOC.



### **1.9.2. Sample Size and Survey Technique**

The population of this study was 18-peoples, i.e. staff members in the finance and commercial department of NOC that are relevant for this study. All of the 18-staff members were considered for data collection (census survey), and questionnaires were distributed to all of them. Out of these, 15 questionnaires were returned back (i.e. a response rate of 83.3%). Accordingly, analysis was made based on primary data collected through questionnaire from 15-staffs (i.e. 13-staffs from finance department, and 2-staffs from commercial departments), personal observation, and other secondary data sources.

### **1.9.3. Types of Data Collected**

Both primary and secondary data was used for this study. The primary data is collected from key informants and personal observations, while secondary data was collected from various sources such as company documents, books, internet source etc.

### **1.9.4. Methods of Data Collection**

The primary data is collected from key informants by using questionnaire, and through observations. Secondary data is collected by reviewing various company documents and other relevant sources.

### **1.9.5. Data Analysis Method**

After gathering the information, the data was summarized and processed by using tables and percentages. Then, descriptive method is used to analyze the summarized data.

### **1.10. Limitation of the Study**

The research was constrained by many factors such as time and financial resources, lack of adequate responses by respondents, and limited research experience of the student researcher among other things. However, utmost effort is made to minimize the effect of such factors upon the outcome of the research.

### **1.11. Organization of the Study**

The study is organized into four chapters. The first chapter is the introductory part, which includes the background of the organization, statement of the problem, objectives of the study, research questions, significance of the study, and organization of the study. In the second chapter, literature review is presented, while the data analysis and interpretation part is presented in chapter three. In the last chapter, summary, conclusion, and recommendation of the study is presented.

## **CHAPTER-TWO: REVIEW OF RELATED LITRATURE**

### **2.1. The Importance of Cash Management**

Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. It encompasses a company's level of liquidity, its management of cash balance, and its short-term investment strategies. In some ways, managing cash flow is the most important job of business managers. If at any time a company fails to pay an obligation when it is due because of the lack of cash, the company is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such a dire consequence should compel companies to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed (Hertenstein et., al, 1997).

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

It is only natural that major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. In addition, employee salaries and other expenses drain considerable funds from most

businesses. According to Richard F and Patricia Johnson (1997), these factors make effective cash management an essential part of any business's financial planning. As they indicated, cash is “lifeblood” of any business without which dealing with inventory, payroll, and other expenses, an emergency is imminent.

When cash is received in exchange for products or services rendered, many small business owners, intent on growing their company and tamping down debt, spend most or all of these funds. But, while such priorities are laudable, they should leave room for businesses to absorb lean financial times down the line. The key to successful cash management, therefore, lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary restrictions, (Julie H and McKinnon, 1997).

## **2.2. Cash Planning/Budgeting/**

According to Sharan (2005) and Chandra (2004), cash planning involves, to a large extent, ascertaining the cash requirement for various purposes/motives/.As they indicated, cash budgeting /forecasting/ is the principal tool of cash management, which is essential in estimating future cash requirements, planning for short term and long term financing, planning for purchase of materials, and in scheduling payments for various transactions during the period under consideration. Besides, Chandra (2004) noted that proper cash planning is crucial in developing company's credit policies and in ensuring the accuracy of long term forecasts.

As Sharan (2005) and Chandara (2004) noted, companies hold cash with different motives such as *transactions motives*(cash held for the purpose of undertaking various transactions such as purchase of raw materials, payments of wages and salaries and to meet other expenses); *precautionary motives* (cash held for meeting

any exigencies that may arise due to reasons such as sudden incapability of major customers to pay bill); and *speculative motives* (cash held to meet expectation of fall in the price of various inputs such as raw materials in near future, they may hold cash by deferring purchase to the future). Besides, Sharan (2005) indicated that companies may also hold cash for reasons such as fulfilling *compensation balance* requirement by bank, and also with a motive of *exploiting potential investment* opportunities. Thus, proper cash planning is decisive in meeting cash requirements for such purposes (Ibid).

### **2.3. Management of Cash Collection and Disbursement**

Cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three "floats" are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash to pay their bills (Julie H and McKinnon, 1997).

Cash management attempts, among other things, to decrease the length and impact of these "float" periods. A collection receipt point closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment (check) is one way to speed up the collection. The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the

prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices (Ibid).

Another aspect of cash management is knowing a company's optimal cash balance. There are a number of methods that helps to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time, of course with something left over for emergency purposes. One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations. There are numerous ways to measure this, including: the Cash to Total Assets ratio, the Current ratio (current assets divided by current liabilities), the Quick ratio (current assets less inventory, divided by current liabilities), and the Net Liquid Balance (cash plus marketable securities less short-term notes payable, divided by total assets). The higher the number generated by the liquidity measure, the greater the liquidity and vice versa. However, there is a tradeoff between liquidity and profitability which discourages firms from having excessive liquidity (Julie H and McKinnon, 1997).

## **2.4. Optimal Cash Balance**

According to Chandra (2004), if a firm maintains a small cash balance, it has to sell its marketable securities (and perhaps buy them later) more frequently than if it holds a large cash balance. Hence, the trading or transaction costs will tend to diminish if the cash balance becomes large. However, the opportunity costs of maintaining cash rises as the cash balance increases. Thus, the optimal cash balance is attained at a level where the transaction costs and opportunity costs become equal.

Companies often have surplus funds for short periods of time before they required for capital expenditure, loan repayments, or some other purpose. Instead of allowing these surplus funds to accumulate in current account where they earn no interest, companies should invest them in a variety of short-term instruments like term deposits with banks, money market, mutual funds, and so on. Doing so is essential in managing the investment of surplus funds which is central to effective cash management (Chandra, 2004).

## **2.5. Internal Control over Cash**

Internal controls over cash management are needed at all levels of the organization that handle cash and/or cash equivalents i.e., coupons, credit card slips, etc. Both program managers and financial managers are accountable for cash under their control. However, the organization unit finance officers must provide guidance to all employees who have cash management responsibilities; he/she also bears ultimate responsibility for internal controls over cash collections, disbursements, and holdings which are accounted for by his/her operations. Therefore, responsibilities of cash management officers, cashiers, certifying officers, and other accountable officers to establish and maintain controls should be formally delegated by organizational unit's finance officers.

Internal control over cash is sometimes regarded merely as a means of preventing fraud and theft. A good system of internal control, however, will also aid in achieving the other objectives of efficient cash management, including accurate accounting for cash transactions, anticipating the need for borrowing, and the maintenance of adequate, but not excessive cash balances. The major steps in achieving internal control over cash transactions and cash balance include:

- ✚ Separate the function of handling cash from the maintenance of accounting

records. Employees who handle cash should not access to the accounting records, and accounting personnel should not have access to cash.

- ✚ Prepare for each department within the organization a cash budget (or forecast) of planned cash receipts, cash payments, and cash balances, scheduled month-by-month for the coming year.
- ✚ Prepare a control listing of cash receipts and cash payments at the time and place the money is received and/or paid. For cash sales, this listing may be a cash register tape, created by ringing up each sale on a cash register tape.

For checks received through the mail, a control listing of incoming checks should be prepared by the employee assigned to open the mail in such a way that:

- ✓ require that all cash receipts be deposited daily in the bank.
- ✓ make all payments by check. The only exception should be for small payments to be made in cash from a petty cash fund,
- ✓ require that the validity and amount of every expenditure be verified before a check is issued for payment. Separate the function of approving expenditures from the function of signing checks.
- ✓ promptly reconcile bank statements with the accounting records

(Robert et al., 1995).

Generally, the purpose of a system of internal controls is to assure that assets (cash in this case) that belong to the business enterprise are received when tendered, are protected while in the custody of the enterprise, and are used only for authorized business purposes. Such a system consists of (i) administrative control, and (ii) accounting control as described below.

**(i) Administrative Control** - includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions. Such



authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

**(ii) Accounting Control-** comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records. It is meant to ensure that transactions are executed and recorded as necessary in accordance with management's general or specific authorization, financial statements are prepared inline with the applicable principles and criteria, access to asset/cash/ is limited, among other things. (Chandra 2004).

## **2.6. The Cash Flows Statements**

A balance sheet shows the cash owned at the end of the accounting period. Cash transactions of the accounting period are summarized in a different financial statement - the statement of cash flows. In both the balance sheet and the statement of cash flows, the term "cash" includes cash equivalents. Transfers of money between bank accounts and cash equivalents do not appear in a statement of "cash" owned. However, any interest received from owning cash equivalents is included in the statement of cash flows as cash receipts from operating activities (Sharan,2005; Chandra, 2004).

The statement of cash flows is designed to show the business's cash inflows and cash outflows as well as the net change in the business's cash balance for the same time period as the income statement. The cash inflows and outflows are divided into three sections depending on their source.

- i) Net cash flows from operating activities (activities required for the actual operations of the business)

- ii) Net cash flows from investing activities (activities resulting from investing in non operating assets of the period),
- iii) Net cash flows from financing activities (activities relating to amounts received from, or paid to, owners and received by or paid for, non operating liabilities for the period).

The cash flow from operating activities section shows cash received from customers, which is not equal to the sales figure reported in the income statement. Cash can be allocated before, at the same time, or after the related revenue is earned. Determining the amount of cash receipts from customers requires understanding the relationship between the income statement and the balance sheet. Many companies have only two kinds of sales cash and credit. For them, revenue recognition increases one of two balance sheet accounts cash or accounts receivable. Therefore, companies calculate cash receipts from customers by taking the net sales for the year and adjusting this amount by the increase or decrease in the accounts receivable balance from the beginning to the end of the year.

## **CHAPTER-THREE: DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

The study is conducted with the main objective of assessing the quality of cash management practice at National Oil Company (NOC). Accordingly, an attempt is made to see the company's cash forecasting technique, management of cash shortage and overages, and its collection and payments systems. Besides, the company's internal control systems, transaction processing and documentation processes are dealt with. To this end, survey of 18 peoples is made and responses obtained from 15-employees. Accordingly, the analysis is made based on primary data from questionnaire and personal observations. Besides, secondary data collected by reviewing company documents and other sources are used with primary data. The primary data was summarized using table, and analyzed by using simple descriptive statistical tools (i.e. percentage).

### **3.1: Descriptions of Respondents' Background**

To assess the quality of cash management practice at National Oil Company (NOC), primary data is collected from 15-employees in different finance related responsibility areas so as to complement information from personal observations and secondary data sources. The background characteristics of these respondents is briefly presented in table 3.1 below and discussed.

The major variables discussed here are sex, age, educational level and work experiences of respondents. Regarding the sex of respondents, 6(40%) are female, while the remaining 9(60%) of the respondents are males. On the other hand, 1 (6.67%) of the respondents is below 25 years of age, 12(80%) are between age range of 26 to 35 years, and 2(13.33%) are between age range of 36 to 45 years. Besides, 13(or 66.67% of the respondents) are Bachelor degree holders, while only

2(about 13.33%) are diploma holders. And about 10(66.67%) respondents have related work experiences of 3-5 years, 3(20%) have 6-10 years experience, while only 2(13.13%) have a work experience of less than 2-years (*see table 3.1*).

*Table 3.1: Summary of the Background of the Respondents*

| No. | Descriptions             |                    | No. of Respondents | Absolute Percentage | Cumulative Percentage |
|-----|--------------------------|--------------------|--------------------|---------------------|-----------------------|
| 1   | Sex                      | Female             | 6                  | 40%                 | 40%                   |
|     |                          | Male               | 9                  | 60%                 | 100%                  |
| 2   | Age                      | Below 25           | 1                  | 6.67%               | 6.67%                 |
|     |                          | 26-35              | 12                 | 80%                 | 86.67%                |
|     |                          | 36-45              | 2                  | 13.33%              | 100%                  |
|     |                          | 46-55              | -                  | -                   | -                     |
|     |                          | Above – 55         | -                  | -                   | -                     |
| 3   | Educational-Level        | Certificate        | -                  | -                   | -                     |
|     |                          | Diploma            | 2                  | 13.33%              | 13.33%                |
|     |                          | BA-Degree          | 13                 | 86.67%              | 100%                  |
|     |                          | Masters Degree     | -                  | -                   | -                     |
|     |                          | Others             | -                  | -                   | -                     |
| 4   | Years of Work Experience | Less than 2- years | 2                  | 13.33%              | 13.33%                |
|     |                          | 3 – 5 years        | 10                 | 66.67%              | 80%                   |
|     |                          | 6 – 10 years       | 3                  | 20%                 | 100%                  |
|     |                          | 11 – 15 years      | -                  | -                   | -                     |
|     |                          | 16 – 20 years      | -                  | -                   | -                     |
|     |                          | More than 20 years | -                  | -                   | -                     |

*Source: Own Survey (2010)*

As discussed in the proceeding paragraph, the majority of the sample respondents are in economically active age range. Besides, as it can be seen from table 3.1, the majority of respondents have reasonable educational level (BA-degree holders), which is sounds reasonable for the responsibilities they have assumed. On the other hand, about 86.67% of the respondents have a work

experience of 3 to 10 years, which also sounds good for the responsibilities they have assumed. However, it is understood from the response of respondents and personal observations that there is lack of work related trainings.

From the preceding descriptions, the fact that the majority of the respondents are in economically active age group, with reasonable education status and work experience could be an opportunity for the company in terms of ensuring quality cash management practice in particular and the overall all process of financial administration in general, if it is augmented with other things such as work related trainings and good leadership.

### 3.2: Analysis of Data

#### 3.2.1: Cash Forecasting/Planning/ of the Company

With regard to cash forecasting/planning/ practice of the NOC, issues such as prevalence of formal cash forecasting system, the length of the forecasting period, and its quality are presented in table 3.2.

**Table 3.2: Summary of Responses on Cash Forecasting/Planning Practice of NOC.**

| No | Descriptions  | No. of Respondents | Absolute Percentage | Cumulative Percentage |
|----|---|--------------------|---------------------|-----------------------|
| 1  | NOC has formal cash forecasting Practice  | Yes                | 15                  | 100%                  |
|    |   | No                 | 0                   | 0%                    |
| 2  | The Cash Forecasting technique used by NOC enable it to properly determine its future cash sources and uses | Strongly agree     | 7                   | 46.67%                |
|    |   | Agree              | 6                   | 40%                   |
|    |   | Neutral            | 2                   | 13.33%                |
|    |   | Disagree           | -                   | -                     |
|    |   | Strongly disagree  | -                   | -                     |

Source: Own survey (2010)

As it can be seen from table 3.2, all (or 100%) of the respondents indicated that NOC has formal cash forecasting techniques. Besides, the respondents stated that the company's cash planning period varies from 1 month to 3 - years. Asked

about the validity of the company's cash forecasting technique in terms of properly estimating future cash requirements, 7(46.67%) of the respondents said that they strongly agree, another 6(40%) agree, while only 2(13.33%) are neutral (see table 3.2).

As it is responded by those who strongly agree and/or agree, the company forecasts its future cash requirements properly and fill the gaps (if any) using clear strategies such as looking for over draft facilities, borrowings and others. Hence, according to the respondents, there is no significant problem in terms of forecasting future cash sources and requirements, even though cash shortage and overage could sometimes occur due to reasons such as unexpected fluctuations of business activities.

### **3.2.2: The Situation of Cash Overage and Cash Shortage**

Under this section, issues such as prevalence of cash shortage and cash overage, the frequency and causes of its occurrences (if any), and company's ability to manage such cash shortages and overages are presented in table 3.3 below and discussed.

As it can be seen from table 3.3, cash shortage and overage occurs rarely (as indicated by 12 or 80%) of the respondents while 3(or 20%) said that it occurs some times. Hence, based on these responses, one can say that prevalence of cash shortage and overage is not as such a common phenomenon in the case of NOC. In this connection, 11 (i.e. 73.33%) of respondents indicated that cash shortage and overage happens due to un expected fluctuations of business activities, while 8(53.33%) said it could also happen due to other reasons such as high number of bounced checks from customers (i.e. due to non-sufficient fund (NSF) problems, variation of authorization signature, and errors in filling checks) and

other collection related problems. However, only 2 (about 13.33%) of the respondent said that it occurs due to improper utilization.

**Table 3.3: Summary of Responses on Cash Overage and Cash Shortage**

| No | Descriptions   | No. of Respondents                    | Absolute Percentage | Cumulative Percentage |        |
|----|--|---------------------------------------|---------------------|-----------------------|--------|
| 1  | <b>Do Cash shortage and Overage occurs</b>   | Yes                                   | 15                  | 100%                  | 100%   |
|    |  | No                                    | 0                   | 0%                    | 100%   |
| 2  | <b>How frequently do cash shortage and overage occur?</b>                                    | Very Frequently                       | -                   | -                     | -      |
|    |  | Frequently                            | -                   | -                     | -      |
|    |  | Sometimes                             | 3                   | 20%                   | 20%    |
|    |  | Rarely                                | 12                  | 80%                   | 100%   |
|    |  | Very rarely                           | -                   | -                     | -      |
| 3  | <b>Why do you think cash shortage and cash overage occur?(multiple response is possible)</b> | Budgeting problem                     | -                   | -                     | -      |
|    |  | Improper Utilization                  | 2                   | 13.33%                | -      |
|    |  | Un expected fluctuation of activities | 11                  | 73.337%               | -      |
|    |  | Lack of qualified personnel           | -                   | -                     | -      |
|    |  | Other reasons                         | 6                   | 40%                   | -      |
| 4  | <b>How do you rate the quality of the management of cash shortage</b>                        | Very good                             | 7                   | 46.67%                | 46.67% |
|    |  | Good                                  | 4                   | 26.67%                | 73.34% |
|    |  | Average                               | 2                   | 13.33%                | 88.67% |
|    |  | Poor                                  | 2                   | 13.33%                | 100%   |
|    |  | Very Poor                             | -                   | -                     | -      |
| 5  | <b>How do you rate the quality of the management of cash Overage</b>                         | Very good                             | 7                   | 46.67%                | 46.67% |
|    |  | Good                                  | 4                   | 26.67%                | 73.34% |
|    |  | Average                               | 2                   | 13.33%                | 88.67% |
|    |  | Poor                                  | 2                   | 13.33%                | 100%   |
|    |  | Very Poor                             | -                   | -                     | -      |

Source: Own Survey (2010)

Accordingly, asked about the quality management of cash shortage and overage, 7(46.67%) and 4(26.67%) rated it as very good and good respectively; while 2(13.33%) rated it as average. However, 2(13.33%) of the respondents rated it as poor (*see table 3.3*). This implies that the overall cash shortage and cash overage handling practice of the company is satisfactory.

As been indicated by the respondents, the company manages cash shortage by immediately engaging into short term loans with its creditors (banks), and also uses other credit facilities such as overdraft facilities. Besides, it accelerates collections of overdue credit by charging interest for delay in payment. On the other hand, the respondents indicated that the company handles cash overage by transferring the money from the bank where there is excess cash to the bank where there is cash shortage.

Generally, it is understood from the response of respondents that good cash forecasting technique use of overdraft facilities and together with its credit collection policies some of the important strategies that helped the company to satisfactorily handle cash shortages and overages. Hence, from this, one can say that cash shortage and overage is not as such a serious problem in the case of NOC; and this in fact is one indication of good cash management practice of the company.

### **3.2.3: Cash Collection Systems**

In this section, data related to company's cash collection systems are presented and discussed. Accordingly, an attempt is made to analyze the nature and quality of the company's cash collection systems.

As it can be seen from the response summarized in table 3.4, the company uses combination of cash collection systems/instruments such as checks, direct



receipt of cash, CPO, and via bank deposit by customers. According to the respondents, most customers pay their bill by check. Few customers with especial cases directly come to the company's premises and pay their bills in cash.

**Table 3.4: Summary of Responses on Cash Collection Systems**

| <b>No</b> | <b>Descriptions</b>  | <b>No. of Respondents</b> | <b>Absolute Percentage</b> | <b>Cumulative Percentage</b> |
|-----------|--|---------------------------|----------------------------|------------------------------|
| <b>1</b>  | <b>How does the company effect cash collections</b><br><i>(multiple response possible)</i> | By Mail                   | -                          | -                            |
|           |  | By Checks                 | 15                         | 100%                         |
|           |  | By Cash                   | 15                         | 100%                         |
|           |  | By Depositing in Bank     | 15                         | 100%                         |
|           |  |                           |                            |                              |
| <b>2</b>  | <b>How do you rate the quality of cash collection system of your company</b>               | Very good                 | 3                          | 20%                          |
|           |  | Good                      | 5                          | 33.33%                       |
|           |  | Average                   | 4                          | 26.67%                       |
|           |  | Poor                      | 3                          | 20%                          |
|           |  | Very Poor                 | -                          | -                            |

Source: Own Survey (2010)

Concerning the quality of cash collection system used by the company, 3(20%) and 5(33.33%) of the respondents rated it as very good and good respectively, while 4(26.67%) rated it as average. On the other hand, 3(20%) of the respondents rated it as poor, while none of the respondents rated it as very poor (*see table 3.4*).

In this connection, it is understood from the response obtained that company's strong collection policy, good credit management system, and convenient collection method and procedures are some of the good qualities of its cash collection system. Hence, the company is able to collect credit timely (in most cases), and uses varying credit terms (ranging from 3-days to 90-days)

depending on the volume of credit sales and customers' credit worthiness. According to the majority of respondents and personal observations, the company's collection system seems good in easing payments by customers, reducing the possibilities of misappropriations of cash, and in accelerates collections on the other hand.

However, this does not mean that the company's collection system is free of any shortcomings. Rather, it is understood from respondents, personal observations and review of company documents that there are also some inherent problems of the company's cash collection system. Some of the problems are: occurrence of large numbers of bounced checks from customers, improper handling of deposit slips, and use of non-sequential collection receipts(in some cases) and untimely encoding of such receipts, non listing out of specific invoices for each collected receipts, lack of minimum coupon sales thresholds, and other recording and processing problems.

But, most of these collection problems do not seem to have fundamental collection policy/system implications. Rather, they are problems related to the management and execution of daily routine collection related activities. As it is understood from respondents and personal observations, such problems mostly happens due to reasons such as work overload, lack of adequate segregation duties over receipts and data entering, lack of adequate communication, limited awareness creation on the part of customers, and lack of job related trainings for employees among others.

#### **3.2.4: Cash Payment System**

In this section, data related to company's cash payment systems are presented and discussed. Accordingly, an attempt is made to analyze the nature and quality of the company's cash payment systems.

**Table 3.5: Summary of Responses on Cash Payment Systems**

| No | Descriptions  | No. of Respondents | Absolute Percentage | Cumulative Percentage |        |
|----|---|--------------------|---------------------|-----------------------|--------|
| 1  | How does the company effect cash payments<br>(multiple response possible) | By Mail            | -                   | -                     |        |
|    |   | By Checks          | 15                  | 100%                  |        |
|    |   | By Cash            | 15                  | 100%                  |        |
|    |   | Others             | -                   | -                     |        |
| 2  | How do you rate the quality of cash payment system of your company        | Very good          | 4                   | 26.67%                | 26.67% |
|    |   | Good               | 5                   | 33.33%                | 60%    |
|    |   | Average            | 4                   | 26.67%                | 86.67% |
|    |   | Poor               | 2                   | 13.33%                | 100%   |
|    |   | Very Poor          | -                   | -                     | -      |

Source: Own Survey (2010)

In this regard, the information obtained shows that the company effect payments by using checks (mostly), and also makes cash collections in some cases. All payments above 1000-birr are effected by using check, while those payments upto 1000-birr are effected by cash from petty cash fund. Inline with this, 4(26.67%) and 5(33.33%) of the respondents rated payment system of the company as very good and good respectively; while 4(26.67%) of them rated it as average. Contrarily, 2(13.33%) of the respondents rated it as poor, but none rated it as very poor (see table 3.4).

As it is indicated by most of the respondents, the company generally has sound payment system. And all payments are effected on time, after being approved by two or more authorized persons. Hence, there is no problem of Non Sufficient Fund (NSF) and confirmations problems over company's checks below birr 30,000 (in the case of payments by checks), however, the company confirms every payments above 30,000 birr immediately, which is also good in controlling

misappropriations. Payments by petty cash are also efficient in handling those payments up to 1000-Birr.

However, it is understood from the response of respondents, personal observations, and review of company documents that there are some inherent problems in the payments system of the company. Some of the problems are - mishandling of payment voucher (no supporting documents attached in some cases), delay in receipt of clearing invoices from clearing agents, delay in recording of insurance and other similar payments, delay in issuance of customer statements, improper handling of letter of credits, among other things.

As it is the case with collection systems, here too, most of the problems seems to emanate from deficiency of managing and executing daily routine process of payments, rather than fundamental problem of payment policy /system/. In this case too, the problems mostly happens due to reasons such as work overload, lack of adequate segregation duties over payment process, lack of adequate communication, and lack of job related trainings for employees among others.

### **3.2.5: Approval Systems and Segregation of Duties over Cash Transactions**

Under this section, data is collected on internal control systems (i.e. on system of approval, segregation of duties and other related control issues) as presented in table 3.6 below.

With respect to approval system, all (100%) of respondents said that approval of the right person is required before effecting any payments and collections of cash. Accordingly, 13(or 86.67%) of the respondents said that the approval system is adequate, while 2(or 13.33%) rated it as inadequate (*see table 3.6*).

**Table 3.6: Summary of responses on Approval and Segregation of Duties over Cash Transactions**

| No | Descriptions   |     | No. of Respondents | Absolute Percentage | Cumulative Percentage |
|----|--|-----|--------------------|---------------------|-----------------------|
| 1  | Is there is a practice of approving cash payments and collections    | Yes | 15                 | 100%                |                       |
|    |  | No  | -                  | -                   |                       |
| 2  | Do you think that the approval is made by the right person           | Yes | 15                 | 100%                |                       |
|    |  | No  | -                  | -                   |                       |
| 3  | Do you think that adequate approval made                             | Yes | 13                 | 86.67%              |                       |
|    |  | No  | 2                  | 20%                 |                       |
| 4  | Is there adequate segregation of duties over cash related activities | Yes | 9                  | 60%                 |                       |
|    |  | No  | 6                  | 40%                 |                       |

Source: own survey (2010)

According to response by majority of respondents, personal observations and secondary data, each payment and collection requires the approval of at least two authorized persons. Hence, this creates possibilities of cross check and thereby helps to reduce misappropriation of cash transactions. Hence, the company's control system seems remarkable in this regard.

Besides, 9(or 60%) of respondents indicated that the company's system of segregations of duties over various cash related activities is adequate, while 6(or 40%) of the respondents contrary said that segregation of duties is not adequate (*see table 3.5*). Hence, the result in this regard shows that there is significant deficiency with regard to segregation of duties over some activities such as entering cash receipts (which is handled by several cashiers). This sometimes causes inconsistencies, missing of

data, entering the same data more than one time and so on. This could create rooms for fraud and misappropriations of cash by employees.

### 3.2.6: Transaction Processing and overall Cash Management Practice

Under this section, data is collected on systems of data processing, and the quality of overall cash management practice of the company as presented in table 3.7 below.

**Table 3.7: Summary of responses on Transaction Processing and overall Cash Management Practice of the Company**

| No | Descriptions  |           | No. of Respondents | Absolute Percentage | Cumulative Percentage |
|----|---|-----------|--------------------|---------------------|-----------------------|
| 1  | Is there adequate recording system over cash collections and payments | Yes       | 5                  | 33.33%              |                       |
|    |   | No        | 10                 | 66.67%              |                       |
| 2  | Is there timely recording of cash collections and payments            | Yes       | 5                  | 33.33%              |                       |
|    |   | No        | 10                 | 66.67%              |                       |
| 3  | How do you rate the overall cash management practice of NOC           | Very good | 7                  | 46.67%              | 46.67%                |
|    |   | Good      | 5                  | 33.33%              | 80%                   |
|    |   | Average   | 2                  | 13.33%              | 93.33%                |
|    |   | Poor      | 1                  | 6.67                | 100%                  |
|    |   | Very Poor | -                  | -                   | -                     |

Source: own survey (2010)

As it can be seen from table 3.7 above , 10(or 66.67%) respondents indicated that system of recording cash collection and payments is not adequate and not timely; while only 5(or 33.33%) rated it as adequate and timely. This shows that inadequacy and delay in recording of data seems one of the major problem areas of the company's cash management system. In this connection, information from

respondents, personal observations, and reviews of company documents signals the prevalence of numbers problems. One areas of deficiency in this regard is bank reconciliation process. The problems here are unautomated bank reconciliation process (partly), manually prepared bank statements, encoding of wrong bank and wrong amount, delay and inaccurate recording of bank advices among others.

There are also other recording process related problems such as wrong entry description of bank statements which are not explanatory, errors in recording(recording twice) and posting of transactions, some accounts not assigned to any one for follow-up(ownerless accounts), and inadequate documentation and protection of financial documents among other things.

It understood from respondents, personal observations and review of secondary data that most of the problems manifested in the company's record keeping systems are of routine nature. Hence, they can easily be corrected through proper management, control and processing of transactions. Besides, use of computerized system of data processing is essential in ensuring efficient and effective financial management system. Though most of the company's record keeping systems are computerized, the fact that bank reconciliations are still done manually could undermine the quality of cash manage system of the company.

Generally, the overall cash management practice of the company is rated as very good by 7(or 46.67%), and as good by 5(or 33.33%) of the respondents. Only 2(or 13.33%) and 1(or 6.67%) of the respondents rated it as average and poor respectively (*see table 3.5*). This seems consistent with the qualities of forecasting systems, management of cash overages and cash shortages, collection and payment systems, and authorizations processes among other things.

## **CHAPTER-FOUR: SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMENDATIONS**

This study is aimed at assessing the cash management practice at NOC. Accordingly, an assessment is made with respect to the nature and effectiveness of future cash forecasting technique of the company, occurrence and management of cash overage and cash shortage, and the nature and quality of company's cash collection and payment systems. Besides, the company's process of controlling, recording, and processing of various cash transactions is considered in this study. To this end, primary data is collected by questionnaire from 15-respondents, and also through personal observations. Moreover, secondary data is collected by reviewing various company documents and from other sources.

### **4.1: Summary of Major Findings**

The result of the analysis made based on the collected primary and secondary data shows that the company's over all cash management practice is satisfactory. The summary of these findings is presented as follows.

**Techniques of cash forecasting-** it is understood from the study that the company plans its future cash requirement and sources on monthly, quarterly, semi - annually, yearly, and on every 3-years basis. The result of the study shows that the forecasting technique of the company is effective (i.e. enable it to properly estimating company's future cash requirement and sources).

**Management of Cash overage and cash shortage** - the result of data analysis in this connection shows that cash shortage and cash overage is not a serious problem in the case of NOC. However, occurs rarely (as been indicated by 12 or



80% of respondents), and sometimes (as been indicated by 3 or 20%) of respondents due to reasons such as due to reasons such as un expected fluctuations of business activities, large number of bounced checks from customers, variation of authorization signature, and errors in filling checks. However, only 2(or 13.33%) respondents indicated improper utilization of cash as another cause of cash shortage and overage. As the result of study shows, the company manages cash shortage by immediately engaging into short term loans with its creditors (banks), by using overdraft credit facilities and by accelerating collection of overdue accounts.

**Cash Collection System** - it is understood from the study that the company uses a combination of cash collection systems/instruments such as checks, direct receipt of cash, and via bank deposit by customers. Most customers pay their bill by check, while some customers with especial cases pay their bills in cash. Generally, the company's collection system is efficient and effective i.e. the company has strong collection policy, good credit management system, and convenient collection method and procedures, which also reduces possibilities of misappropriations of cash.

However, the study revealed that the company's cash collection system has some inherent deficiencies such as occurrence of large numbers of bounced checks from customers, improper handling of deposit slips, and use of non-sequential collection receipts and untimely encoding of such receipts, non listing out of specific invoices for each collected receipts, lack of minimum coupon sales thresholds, and other related problems. Such problems mostly occurs due to stressful working condition, lack of adequate segregation duties over some collection activities such as receipt and entering of collections, lack adequate communication, limited awareness creation on the part of customers, and lack of job related trainings for employees among others.

**Cash Payment Systems**-the study shows that the company effect payments by using checks and cash. Check is used to effects all payments above 1000-birr, while payments up to 1000 birr is made by cash from petty cash fund. The study result shows that the company's payment system is sound. All payments by check and from petty cash are approved by the right person and paid timely. However, it has some inherent problems of routine nature such as using payments vouchers with out supporting documents, delay in receiving of clearing invoices from clearing agents, delay in recording of insurance and other similar payments, delay in issuance of customer statements, and improper handling of letter of credits among other things.

**Approval Systems**- in this regard, the study shows that each cash related transaction is effected after being approved by the designated official. The approval is made by the right person and adequate according to the response of the majority (86.67%) of respondents.

**Segregation of duties**- with regard to segregation of duties, 60% of respondents indicated that there is adequate segregation of cash related activities, while 40% of respondents said that the segregation of duties system is not adequate especially in the areas of receiving and entering deposit slips from customers, and cash receipts in some cases.

**Recording, documentation, and Control of Financial Documents**- this is one of areas of company's cash management system with considerable routine problems as the result of the study shows. Some of the problems identified in this regard are-inadequacy and delay in recording of data, inefficient bank reconciliation process, frequent error in data recording and posting, delay and inaccurate recording of bank advices. Besides, problems such as use of improper and inadequate description during data entry, wrong recording and posting of

transactions, prevalence of ownerless accounts (no follow-up responsibility), inadequate documentation/filing, inadequate control and management of financial documents among the deficiencies identified in this connection.

In general, the result of the study shows that the overall cash management practice of the company is satisfactory. There is no significant problem in the areas of forecasting future cash sources and requirements, and management of cash overage and shortage. Besides, the collection, payment systems as well as approval of transactions seem satisfactory despite some inherent limitations. However, there are various routing deficiencies in the areas of segregation of duties (over some activities), recording and processing data, and in documentation and control of various files among others.

#### **4.2: Conclusions**

Based on the result of the study, the researcher concluded the following.

- i.** The system of cash forecasting used by the company sounds good. The fact that the company uses different forecasting horizons such as monthly, quarterly, semi-annually, annually and so on is crucial in properly determining the amount and timing of various cash needs and sources inline with the operational of plan of the company. This is also necessary for efficient and effective management and utilization of cash resources.
- ii.** The company's strategy of handling cash overage (transferring from money from banks where there is excess amount to bank where there is shortage) is logical as it could enable the company to minimize the opportunity cost of handling idle cash on one hand, and to easily mobilize and use cash when and where it is needed. Besides, the company's practice of speeding up collections is reasonable to handle cash shortage, given that it is made within the frame-work of company's credit policy.

- iii.** The systems of cash collection and payments used by the company seems appropriate in light of existing business. Using checks especially to effect large payments enable the company to ease the process of payments on the one hand, and to reduce possibilities of misappropriations and cost of collection on the other hand. Besides, the company's practice of collecting sales bills from customers through banks is essential in smoothening payment process for customers on the one hand, and also in facilitating collections for the company on the other hand. It also reduces possibilities of misappropriations. The existing deficiencies in the cash collection and payment system of the company are generally routine in nature which does not seem to have fundamental policy problem.
- iv.** The systems of authorization of transaction being practiced by the company are one important aspect of the company's internal control system. However, inadequate segregation of duties over some cash related activities; and inadequate, untimely and inaccurate recording, processing and filing of financial documents are an indication of deficiencies of company's internal control system, which in-turn could undermine the quality of company's cash management practice.
- v.** Generally, the overall cash management practice of the company seems satisfactory. However, its quality should also be seen in a broader sense of its competency of handling today's dynamic business environment and the national and international competitions thereof. Thus, the researcher feels that, the cash management practice of the company still needs much emphasis and improvements to ensure internationally competent system of cash management.

### **4.3: Recommendations**

- i.** Efficient and effective collection and payment system is instrumental in ensuring good management and utilization of cash. Thus, to address the existing deficiencies with this regard, the company should address problems of work overload that could create stress, and segregate duties adequately over various cash related activities. Besides, it need to enhance systems of communications (both internally between employees, and externally between company and customers), and provide job related trainings to workers.
- ii.** Effective system of internal control over various cash related transactions is indispensable in ensuring proper financial information processing, protecting assets from misappropriation, and in ensuring compliance with rules and regulations. Thus, the company need to strengthen control/follow-up/ and management system over various activities such as data capturing, recording, processing and documentations and thereby ensure good cash management system.
- iii.** In today's competitive business environment, manual processing of transactions is very difficult especially in the case of such large companies. Even though, most of transactions are processed using automated system in the case of NOC, bank reconciliation is not yet been fully computerized. Hence, to ensure competent cash management system, the company needs to fully automate its bank reconciliation process.
- iv.** In effecting various national and international transactions/payments/, the use of Letter of Credit (LCs) is very decisive. Hence, the company needs to review existing weakness in this regard, and should strengthen the process of handling letter of credit in effecting payments to customers.

- v. Finally, the company needs to minimize margin of errors at the time of data recording/encoding/, maintain separate achieve to properly file and protect financial documents and assign achieve man, train employees, maintain separate locked rooms for finance documents, and review the assignment of each employees in light of current developments. Besides, bank statements should be documented properly and soft copies be maintained, clear procedure and specific time should be set for bank advice recording, and sequential collection receipts be used.

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## **Annex-1: Research Questionnaire**

**St. Mary's University College**  
**Department of Management**  
**Questionnaire to be Filled by Respondents**

**Dear Sir**

This questionnaire is designed to conduct a research on cash management practice of National Oil Company (NOC) for partial fulfillment of the Bachelor of Arts Degree in Management at St. Mary's University College. The study is purely for academic research purpose. The main objective of the research is to investigate and analyze whether the company is properly managing its cash resources or not. To that end, it attempts to assess and analyze the cash management practice of NOC in light of what a literature says about good cash management system, and extend recommendations accordingly.

To achieve the objectives of this study, your frank and genuine responses to the questions are highly indispensable. Hence, indicating that you do not need to mention your name, and promising that all the information that is collected from you would be kept confidential and used only for the purpose of the study, the researcher hereby kindly request your cooperation for the same.

Thankyou for Your Cooperation

Sinafiksh Wodajo



**Instruction (for the Respondents)**

- i) Put the (✓) in the boxes given or fill the answer in the space provided.
- ii) Ticking in **more than one box** is possible wherever appropriate.

**Part-1: Respondent Background**

**1.1: Sex**                      1. Male                                            2. Female                     

**1.2. Age**                      1. Below 25                                            4. 45-55                        
   2. 26-35                                            5. Above 55                        
   3. 36 - 45                     

**1.3. Educational Level of Respondents**  
   1. Certificate                                            4. Masters Degree                        
   2. Diploma                                            5. Others (specify)-----  
   3. BA-Degree                     

**1.4. Years of Work Experience**  
   1. Less than 2 years                                            4. 11 to 15 years                        
   2. 3 to 5 years                                            5. 16 to 20 years                        
   3. 6 to 10 years                                            6. More than 20 years                     

**Part-2: Cash Management**

**2.1: Is there a practice of forecasting/planning/ for future cash requirement in your company?**  
1. Yes                                            2. No                     

**2.2. If your answer to question 2.1 above is 'Yes' what is the length of cash requirement planning period of your company?( multiple answer is possible).**  
1. 1- month                                            4. 1 – year                        
2. 3-months                                            5. 3- years                        
3. 6- months                                            6. Other (specify) -----

**2.3. The cash forecasting technique used by NOC enables the company to properly determine its future cash needs and sources**  
1. Strongly Agree                                            4. Disagree                        
2. Agree                                            5. Strongly Disagree                        
3. Neutral                     

**2.4. If your answer to question 2.3 above is 'strongly agree' or 'agree', please explain your reason briefly -----**  
-----

2.5. If your answer to question 2.3 above is 'strongly disagree' or 'disagree', please explain your reason briefly-----  
-----

2.6. Is there a problem of cash shortage and/or cash overage in your company?

1. Yes  2. No

2.7. If your answer to question 2.6 above is 'No', what do you think is the reason for non-occurrence of cash shortage and overage in your company? -----  
-----

2.8. If your answer to question 2.6 above is 'Yes', how frequently do cash shortage and overage occurs in your company?

1. Very Frequently  4. Rarely   
2. Frequently  5. Very rarely   
3. Some times

2.9 Why do you think the *cash shortage* occur in your company? (Multiple answer is possible)

1. In adequate budgeting Problem  4. Lack of qualified personnel   
2. Improper utilization  5. Others (specify)-----  
3. Unexpected Fluctuations of activities

2.10. Why do you think the *cash overages* occur in your company? (Multiple answer is possible)

1. In adequate budgeting Problem  4. Lack of qualified personnel   
2. Improper utilization  5. Others (specify)-----  
3. Unexpected Fluctuations of activities

2.11. Would you please explain how your company handles *cash shortage* whenever it occurs? -----  
-----

2.12. Would you please explain how your company handles *cash overage* whenever it occurs? -----  
-----

2.13. How do you rate the management of *cash shortage* of your company?

1. Very good  4. Poor   
2. Good  5. Very Poor   
3. Average

2.14. If your answer to question 2.13 above is either **'very poor'** or **'poor'**, please discuss your reason -----  
-----

2.15. If your answer to question 2.13 above is either **'very good'** or **'good'**, please discuss your reason -----  
-----

2.16. How do you rate the management of **cash overage** of your company?

- |              |                          |              |                          |
|--------------|--------------------------|--------------|--------------------------|
| 1. Very good | <input type="checkbox"/> | 4. Poor      | <input type="checkbox"/> |
| 2. Good      | <input type="checkbox"/> | 5. Very Poor | <input type="checkbox"/> |
| 3. Average   | <input type="checkbox"/> |              |                          |

2.17. If your answer to question 2.16 above is either **'very poor'** or **'poor'**, please discuss your reason -----  
-----

2.18. If your answer to question 2.16 above is either **'very good'** or **'good'**, please discuss your reason -----  
-----

2.19. How does your company effect collections? (Multiple answers is possible)

- |              |                          |                     |                          |
|--------------|--------------------------|---------------------|--------------------------|
| 1. By mail   | <input type="checkbox"/> | 3. By cash          | <input type="checkbox"/> |
| 2. By checks | <input type="checkbox"/> | 4. Others( specify) | <input type="checkbox"/> |

How do you rate the quality of cash collection system/s/ used by your company?

- |              |                          |              |                          |
|--------------|--------------------------|--------------|--------------------------|
| 1. Very Good | <input type="checkbox"/> | 4. Poor      | <input type="checkbox"/> |
| 2. Good      | <input type="checkbox"/> | 5. Very Poor | <input type="checkbox"/> |
| 3. Average   | <input type="checkbox"/> |              |                          |

2.21. If your answer to questions 2.20 above is either **'Very Poor'** or **'Poor'**, what do you think are the **weaknesses** of the cash collections system/s/ being used by your company? -----  
-----

2.22. If your answer to questions 2.20 above is either **'Very Good'** or **'Good'**, what do you think are the **strengths** of the cash collections system/s/ being used by your company? -----  
-----

2.23. How does your company effect/undertake/ Cash Payments? (Multiple answers is possible)

- |              |                          |                     |                          |
|--------------|--------------------------|---------------------|--------------------------|
| 3. By mail   | <input type="checkbox"/> | 3. By cash          | <input type="checkbox"/> |
| 4. By checks | <input type="checkbox"/> | 4. Others( specify) | <input type="checkbox"/> |

2.24. How do you rate the quality of cash payment system/s/ used by your company?

- |              |                          |              |                          |
|--------------|--------------------------|--------------|--------------------------|
| 1. Very Good | <input type="checkbox"/> | 4. Poor      | <input type="checkbox"/> |
| 2. Good      | <input type="checkbox"/> | 5. Very Poor | <input type="checkbox"/> |
| 3. Average   | <input type="checkbox"/> |              |                          |

- 2.25. If your answer to questions 2.24 above is either ‘**Very Poor**’ or ‘**Poor**’, what do you think are the **weaknesses** of the cash payment system/s/ being used by your company? -----  
-----
- 2.26. If your answer to questions 2.24 above is either ‘**Very Good**’ or ‘**Good**’, what do you think are the **strengths** of the cash payment system/s/ being used by your company? -----  
-----
- 2.27. Is there a practice of requiring approval of authorized person before effecting cash payments and collections?  
1. Yes  2. No
- 2.28. If your answer to questions 2.27 above is ‘**Yes**’, do you think that the approval is made by the right person?  
1. Yes  2. No
- 2.29. If your answer to questions 2.28 above is ‘**Yes**’, do you think that adequate approval is made for every cash payments and collections made?  
1. Yes  2. No
- 2.30. What do you think are the **weaknesses** of your company’s approval system over cash payments and cash collections? -----  
-----
- 2.31. What do you think are the **Strengths** of your company’s approval system over cash payments and cash collections? -----  
-----
- 2.32. Is there adequate segregations of duties over cash payment and collection activities at your company  
1. Yes  2. No
- 2.33. Is there adequate and timely recording of cash payments and collections at your company?  
1. Yes  2. No
- 2.34. How do you rate the quality of overall cash management practice of your company?  
1. Very Good  4. Poor   
2. Good  5. Very Poor   
3. Average
- 2.35. Last but not least, would please express if you have any more suggestions, comments or information that you want to add about the cash management practice of your company-----  
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*Thank you for your Cooperation*