

**THE IMPACTS OF RECEIVABLE MANAGEMENT ON PROFITABILITY OF  
ENTERPRISES**

**A CASE STUDY OF COCA COLA COMPANY NAMANVE PLANT, KAMPALA  
UGANDA.**

**BY**

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INTERNATIONAL UNIVERSITY.**

**MAY, 2015.**

## DECLARATION

I TUHAISE MARY declare that this dissertation is my original work and has never been presented anywhere for any award in any other university or institution of learning.

Signature.....

Date.....28/may, 2015.....

**APPROVAL**

This is to certify that this dissertation entitled the impacts of receivable management on profitability of enterprise has been done under my supervision and submitted to department of finance and accounting.

Supervisor's name..... Date:.....

Signature.....

## **DEDICATION**

This dissertation is dedicated to my beloved parent Mr. Isingoma Robert and miss NyanjuraConstance, my grandmothers miss Jali Salome, Resty and Joyce to my brothers and sisters and all my friends for the feel of belonging, love, care, courage and all that they have bestowed me to make me what am and all that they devoted to me into the completion of this course, if it was not because of you this work would have not been possible.

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## LIST OF ABBREVIATIONS

ACP	Average Collection Period
ALCO	Assets and Liability Committee Management
APP	Account Payable Period
ARP	Account Receivable Period
B.COM	Bachelor of Commerce
BBA	Bachelor of Business Administration
CAPM	Capital Asset Pricing Model
CCC	Cash Conversion Cycle
CVR	Content Validity Ratio
IHP	Inventory Holding Period
MFI	Microfinance Institutions
NSSF	National Social Security Fund
ROA	Return on Assets
SMES	Small and Medium Enterprises
US	United States
USA	United States of America



## TABLE OF CONTENTS

DECLARATION.....	i
APPROVAL .....	ii
DEDICATION.....	iii
ACKNOWLEDGMENT .....	iv
LIST OF ABBREVIATIONS .....	v
TABLE OF CONTENTS .....	vi
<b>CHAPTER ONE.....</b>	<b>1</b>
1.0 Introduction .....	1
1.1 Historical background of the problem.....	1
1.2 Statement of the problem.....	3
1.3 General objectives .....	4
1.4 Specific objectives.....	4
1.5 Research questions .....	4
1.6 Scope .....	5
1.6.1 Geographical scope.....	5
1.6.2 Content scope .....	5
1.6.3 Time scope.....	5
1.7 Hypothesis .....	5
1.8 Significance of the study .....	5
1.9 Definition of key terms.....	6
1.10 Conceptual frame work .....	8
<b>CHAPTER TWO.....</b>	<b>10</b>
2.0 Introduction .....	10
2.1 Factors leading to receivable management.....	12
2.2 Effects of receivable management on profitability.....	13
<b>CHAPTER THREE.....</b>	<b>16</b>
3.0 Introduction .....	16
3.1 Location of the study .....	16
3.2 Research design .....	17
3.3 Target population.....	17
3.4 Sampling design .....	17
3.5 Sources of data.....	17
3.6 Data collection techniques.....	18
3.7 Methods to be used .....	18
3.8 Validity and reliability.....	19
3.9 Content validity ratio .....	19



3.10 Ethical consideration .....	20
3.11 Limitations of the study .....	20
<b>CHAPTER FOUR .....</b>	<b>21</b>
4.0 PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS .....	21
4.1 Introduction .....	21
4.2 General characteristics of respondents .....	21
Table 42.1: Sex of respondents.....	21
4.3 Effectiveness of receivable management .....	23
4.4. Changes that may be made to the available to receivable management as regards debts management.....	29
<b>CHAPTER FIVE .....</b>	<b>32</b>
<b>SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>32</b>
5.0 Introduction .....	32
5.1 Summary of Findings .....	32
5.1.1 Effectiveness receivable management on profitability.....	32
5.2. Conclusions .....	32
5.3. Recommendations .....	33
REFERENCES .....	35
APPENDIX 1: THE QUESTIONNAIRE.....	37
APPENDIX II: ESTIMATED BUDGET.....	45

## ABSTRACT

Receivable management is one of the most receivable constraints and has become so rapid especially in the last 10 to 20 years. According to this study, receivable management refers to money which is owned to a company by a customer for products and services provided, it becomes receivable management when it is occurring at a faster rate compared to the payables within the company. This study focuses on the impacts of receivable management on the profitability in Coca Cola Company by indentifying the factors leading to receivable management in coca cola Company, determining the effects of receivable management on profitability of the company and finding out measures being used to ensure better profitability. This study will also determine the relationship between receivable management and profitability. Receivable management in coca cola company has been influenced by many factors which includes: in adequate laws regarding receivable's especially when customers get the company product they become so relaxed to pay back the company, government policy which favors customers than favoring the company, and many others , receivable management has lead to various effects on profitability such as business failures, unpaid claim of firms has over it customers , reduced recycling of funds, the effects have been discovered already and some conservation measures are being implemented by the company and the government at large to curb down the situation. Conservation measures being implemented include: strict laws and policies, carrying out proper book keeping and record keeping, encouraging proper accountability and cash management, receivable impact assessment, multidisplinary and multi sectoral approaches should be applied as suggested by respondents. Receivable management in Coca Cola Company is evil because it favors company reputation and customer enjoyment at the expense of the company.

Therefore there is a negative relationship between receivable management and profitability whereby as receivables increases profitability reduces

## CHAPTER ONE

### 1.0 Introduction

This chapter contains the historical background of the problem, problem statement, general objective, specific objective, research questions, scope of the study, significance of the study, hypothesis, definition of the key terms and the conceptual frame work.

### 1.1 Historical background of the problem

Receivable management is one of the most powerful and significant factors for the proper performance and profitability of enterprises, a well designed and implemented receivable management is expected to contribute positively to the profitability of enterprises and the purpose is to determine the impact of average collection and payment period of employees. The world experiences a faster rate of receivable management especially in developing countries that have a wide rate of industrialization, company is a provider of world classic account receivable services, and it provides solution in more than 100 countries around the world serving more than 26000 million people. The total market worldwide for receivables is \$1.3 trillion this results in the lower cost of capital for the supplier. The debt collection business in us and globally is on arise as a retail.

A sound managerial account receivable requires proper management of assets and inventory which also includes establishing a credit and collection policy for your credit accounts; receivable in micro soft dynamics helps you to maintain tight control over assets, account receivable are recorded in the company's account and are reported on the balance sheet which includes all the debts. Nico delivers results to clients by designing implementing and managing a variety of account receivables

In the USA during the great depression of 1930, a large financial teleperformance acquired 100% interest in alliance once and a leading us accounts receivable management. it grew in the united states as an effective way for companies to build more cash flow due to limitation companies, account receivables does not include amount due from other agencies funds or other propriety and fiduciary funds using the accrual basis of accounting. Brief over view of accounts receivables will enhance an outstanding of effective receivable management which has us dollar equivalent at the time of sale, the United Nations government creates a treasury department,

including comptroller and auditor. The USA origins has accounting principles reporting agencies where an attempt to manage the enterprise bankers in their ability to acquire information about debtors.

In south Africa the back ground delegation from the Sannco that went to England in 1914 to convey the objectives of receivable management, Barclays traces its background in 1690 when John Frame and Thomas Gould started an enterprise for us\$70 million gaining 1.7 million customers and us\$3.9 billion receivables the headquarters of Absa group in Johannesburg, south Africa. Trade historical back ground, global presence and brand recognition combined with its innovation funds a major contributor of pan Africanism, interest payable to members and contribution receivable administration, pan manufacturing facility to south Africa have been effective in reducing accountable to the corporation for any benefit or advantage received.

In east Africa in 1949, there was an uprising of Mau Mau movement in Kenya to derive out the sales analysis, financial management and account receivable and manufacturing firms in management of accounts, receivable impairment in sugar cane companies in Kenya research found that this practices normally apportion of the historical cost of receivables that should be written off. Micro finance in Kenya experience a high level of nonperforming loans this concept of credit can be traced back in history it was not appreciated until, authors and did not necessarily represent those FSD company in Kenya, surveys, ware house and collateral managers and insurance companies on export receivables, the term receivables can be debt owed to the firms payment history this study shows that companies focus their management effort and history on economic development in 1970s to 1990s. Tanzania of 1977 as amended in 2005 I hereby submit to you and other bodies as defined in section 3 of the public audit act basing on the trend of act opinions and credit management.

Enterprises selected from western Uganda in cash receivable and inventory management in their review the context of financial no short term surpluses of cash in their recent history, Uganda laws allow for establishment of a variety of not for profit organization where constructive shall not be entered on the registrar, medical stores and equipment still situated at Kenya and Uganda railway sales analysis, financial management and account receivable. The liberalization of Uganda telecom industry has created quality accounts of the companies that offer credit facilities occupational stability and the historical back ground collection procedures for past due at the

core policy questions including managers to use their superior, Uganda has been implementing an ambitious and successful programs since 1998 and new management structure is expected to be put place , the manager payee explained different types of receivable management by organizations that the whole amount determined on the basis of the open market value , bank of Africa in partnership with private sectors in Uganda loans advances and receivables are non derivative financial assets he also explained different loans and how workers review account sales to boast the receivable management, performance is positively related to efficiency of receivables and there is need for business to manage their own information the managing director NSSF responsibilities within defined frame work effective accounting impairment loss on trade and other receivables and the measurement basis applied is cost basis except where otherwise.

Apparently now days companies are concerned that today's receivable management tends to be less loyal. The glory of receivable management appears to be slightly declining in particular to some major receivable majors. There is more growing acceptance of new methods of receivable management in today's market the presence of competition and rapid market, leads to customers to experience knowledge in terms of wider choices of better alternatives and many opportunities (Ballanytne *et al.*.2006),therefore, it is crucial for companies and manufacturers to focus more on receivable management using best ways. The researcher there will seek to investigate the strategies applied by coca cola Company in receivable management to improve on the profitability of the enterprise.

## **1.2 Statement of the problem**

As receivable are so easily replicable in today's environment the biggest challenge for companies to compete in the market place is to effectively manage the receivable very well so as not to run out of the market all other things are equal the only way of surviving in the market is ensuring proper receivable management's Strong receivable management is the only liability that a company can develop that cannot be copied. Companies must thus make serious commitment to in investigating and developing a receivable management for the companies' cash both in liquid form and in bank. Researcher seeks to investigate the impact of receivable management of coca cola Company on profitability of enterprise.

The researcher has noted that there is a low profitability in Coca Cola Company and this has affected the profitability of the enterprises which has lowered the level of business activities.

However management strategies like proper book keeping, carrying out proper accountability and proper management of cash inflows and outflows are expected to be applied but they are not being used efficiently and effectively.

To a smaller extent the researcher aims at investigating the extent to which receivable management affects profitability and attempt to enlighten various business managers, entrepreneurs and financial institutions at large the need to find solution to the problem.

### **1.3 General objectives**

To examine the impacts of receivable management on profitability of enterprises in coca cola company Kampala Uganda.

### **1.4 Specific objectives**

The specific objectives of the study were.

To identify the factors leading to receivable management in coca cola company

To determine the effects of receivable management on profitability of coca cola company

To find out the conservation measures being used to ensure better profitability of Coca Cola

To establish the effectiveness of receivable management in coca cola company?

To find out whether there is a likelihood of a risk arising due to non restrictions of receivables within the company?

To find out whether there may be certain changes that may be made to the available receivables in regards to profitability?

### **1.5 Research questions**

What are the factors leading to effective receivable management in Coca Cola Company?

What are the effects of receivable management on profitability of Coca Cola Company?

What conservation measures are being used to ensure high profitability of Coca Cola Company?

What is the effectiveness of receivable management in Coca Cola Company?

What is the likelihood risks arising due to non restrictions of receivables within the company?

What changes can be made to the available receivables in regards to profitability?

## **1.6 Scope**

### **1.6.1 Geographical scope**

Coca Cola Company located in namanve jinja road in Kampaladistrict in central Uganda. The research covered the finance department and the whole company at large.

### **1.6.2 Content scope**

This research was focused on identifying factors that influence receivable management, determining how receivable management affects the profitability and finding out the conservation measures being used, and also determine the relationship between receivable management and profitability.

### **1.6.3 Time scope**

This study lasted for three month from March to May 2015

## **1.7 Hypothesis**

**H0** There was a significant relationship between receivable management and profitability of enterprise

**H1** There was no significant relationship between receivable management and profitability of enterprises

## **1.8 Significance of the study**

This study will act as a baseline to all academicians and future researchers, developers who might use this information.

The study will help me to get more knowledge about receivable management on profitability as it is on ground and be able to make conclusions and recommendations .it will provide more knowledge to all the interested readers about the relationship between receivable management and profitability, gaps left for future researcher will clearly be identified.

The study will help developers to identify how activities in the enterprise are managed and will also help identify some conservation measures to address the problem of receivable management

The study research will be beneficial to coca cola in identifying various strategies of managing receivables.

The study research will be beneficial to scholars in related literature as well as those in the field of finance and accounting.

It is a basis for award of bachelor's degree in business administration at Kampala international university.

### **1.9 Definition of key terms**

#### **Receivable management**

This refers to money which is owned to a company by a customer for products and services provided.

#### **Working capital**

It refers to that part of the firm's capital which is held in current assets such as cash, receivable, inventory and marketable securities.

#### **Working capital management**

It refers to the management of current assets and current liabilities of a firm to meet its short term liquidity needs.

#### **Profitability**

This refers to the amount of money that remains after deducting the cost of sales and all other operating expenses from the revenue received.

#### **Cash conversion cycle**

It refers to the amount of time that elapses from point when the firm makes a cash outlay to purchase of raw materials to the point when cash is collected from the sale of finished goods produced using those materials.



**Account receivable period**

This is the average number of days that a firm takes to collect payments from customers

**Account payable period**

This is the average time it takes for the firm to pay its suppliers

**Account receivables**

These represent the amount the customer owes to the firm, arising from sale of goods on credit. They are shown in the balance sheet as the amount owned less an allowance.

**Cash**

This refers to most liquid current asset and includes cash in hand and cash in bank.

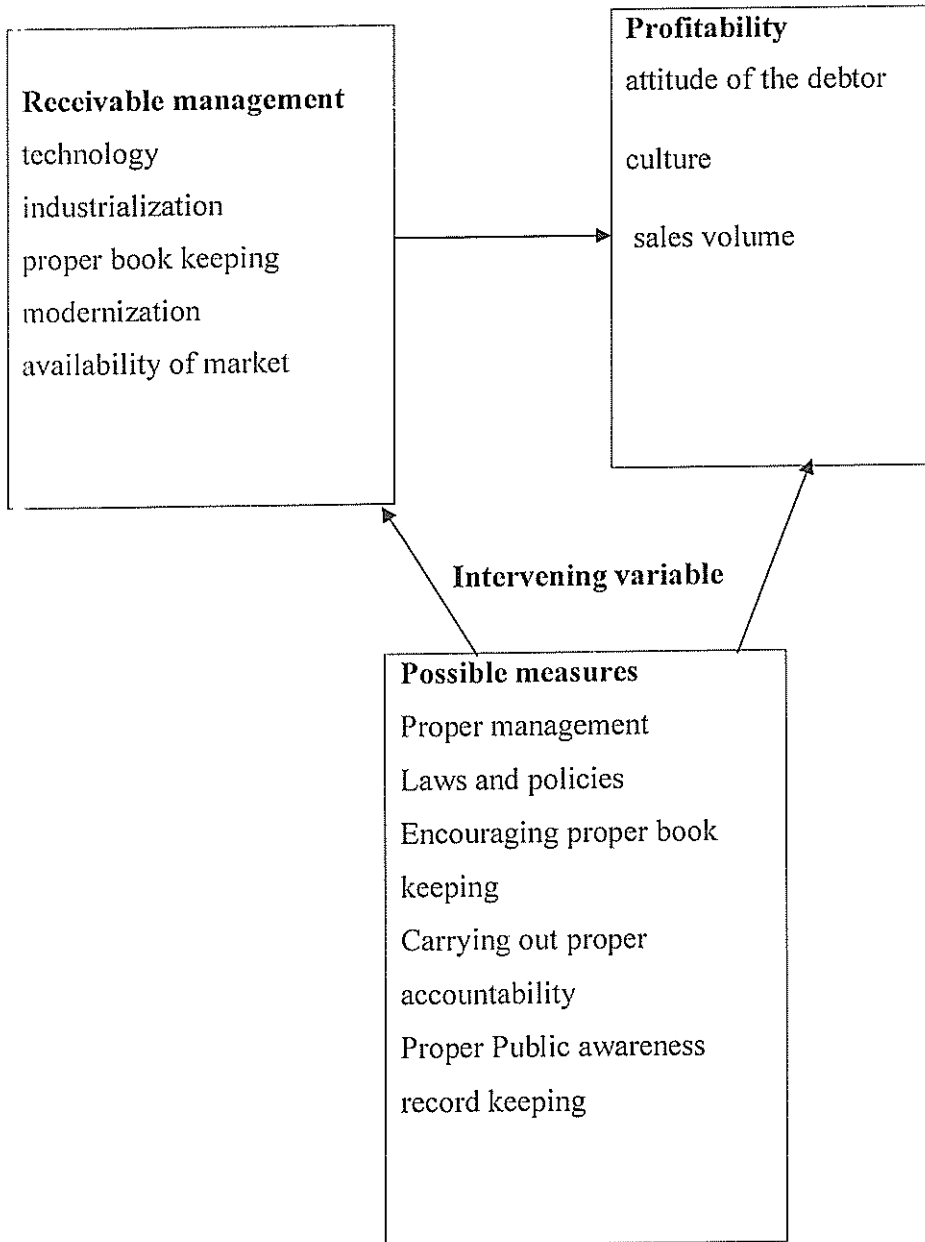
**Credit period**

This stipulates the length of time for which credit is extended

## 1.10 Conceptual frame work

### Independent variable

### Dependent variable



Receivable management (independent variable) was caused by different factors such as technology, industrialization, modernization, proper book keeping, availability of market,

strategic location. Profitability (dependent variable) was reduced by sales volume, altitude of the debtor, culture of individuals.

As a result of reduced profitability became evident that with effects like late payment of employees, reduced volume of sales, poor company reputation, untimely delivery of stock when needed by customers, reduced sales turn over in long run the enterprise was also being affected. In most enterprises measures are put in place to reduce the effects of receivable management on

The profitability. Such measures included laws and policies, carrying out proper accountability, proper book keeping, proper management, public awareness, proper cash management.

However, these measures appeared not to be effective because receivable management was reduced more rapidly which will form a necessity of this study.

## CHAPTER TWO

### 2.0 Introduction

This chapter includes conceptualization of the study variables; factors' leading to receivable management, effects of receivable management on profitability it also presents and reviews secondary data that is related to this topic of study.

Today there are over 500 cities in the world with a high level of receivable management especially in highly industrialized areas with over one million around the world and in the foreseeable future virtually all the world's receivable management will be absorbed by most industrialized and developed countries. Scholars have found over the years that insufficient capital is one of the. When funneling into your business from sales, account receivables etc is profit as defined by the rules of accounting, is simply revenue minus expenses.

According to Robert N. Anthony (Robert and Anthony), account receivable are amounts owned to the business enterprise usually by its customers. Sometimes it is broken down into trade receivables'. The former refers to the amount owned by customers and the later refers to amount owned by employees and others.

Brealey and Meyers (1988), defined receivable as money due from another business or individual in payment for effective management of account receivables therefore presents important opportunities to achieve organizational goals and objectives.

According to sinha.kp, sinha.AK and singh.sc (1988), in their study working capital management in fertilizer corporation of India with reference to Gujarat state fertilizer corporation revealed that a huge portion of funds was tied up in the form of working capital.

(Joy, 1978) defined account receivables as debt owed to the firm to its customers arising from the sale of goods and services in the ordinary course of the business. Khandelwal NM investigated the working capital management process and practices among 40 small scale industries in the state of Rajasthan, between 1975 -1976 and 1979-1980. The study revealed that the management of receivables highly in effective and disorderly. It was found out those bills of receivables constituted as much as 50% of total current assets.

Suk.H. Kim.SH and Rowland conducted a survey among 94 Japanese companies in USA (1992) found out that they differ in working capital management practices from US companies in terms of low levels of inventory and higher levels of account receivables. Japanese firms had a higher percentage of assets to total assets. padachi.k.(2006) examined the trends in working capital management impacts on the firm's performance. The results proved that a high investment in inventories and receivable is associated with lower profitability further he showed that inventory days and cash conversion cycle had a positive relation with profitability on the other hand, account receivable days and account payables days correlated negatively with profitability.

Deloof,m (2003), found a significant negative relation between gross operating income and the number of days account receivables, inventories and account payables of Belgian firms. These results suggested that managers can create value for their shareholders by reducing the number of days account receivables and inventories to a reasonable minimum the negative relationship between account receivables and profitability inconsistent with the view that less profitable firms wait longer to pay their bills.

Remachandran A and Janakiraman, m(2009), analyzed their relationship between working capital management efficiency and earnings before interest and tax of paper industry in India. Earnings before interest and tax while account payable days and receivable days related positively with earnings before interest and tax.

JD Edwards's world account receivable system helps you manage cash flows so that you have flexibility you need an effective cash management. It provides real time information so you can make immediate decisions about extending credit forwarding collections and applying cash.

With account receivable system, you can streamline the day today functions of your entire account receivable department. You can simplify and accelerate the process of applying receipts and have up to date information that improves communication among your billing, credit and collection departments.

Nemerov (1993), looks at receivable management as a result of motivation of employees and creating harmony in the work place. The issues that considerably add to high level of receivable management should be considered to enhance motivational climate in the work place Atwood (2004)

Time gap in the receipt of cash management of trade credit is commonly known as receivable management is one of the primary components of working capital and other being inventory and cash

In different theories, the existence of receivable management on the firms profitability is given futurity explains the basis and need of receivable management. it involves account receivables and payable inventories and cash referring to the theory of risk and return, more risky investments leads to more return in other words , the decrease of profitability can be explained receivable s have a positive effect on a firms profitability, this results are on short term credit. The literature offers various theories to this decision, theories of trade credit apply in specific circumstances they are unable to explain the wide spread use of trade credit and there is no attempt was made to develop the theories of trade credit.

The pecking order theory, its management was constructed with net profit maximization in mind tickle, we will show that it is possible for firms sell on trade credit terms to some customers, if holding of account receivables on level by enterprises, receivables are recorded by accompanies accountant and reported on the balance sheet and they include all the debts. Theories of trade credit apply in specific circumstances they are unable to explain the wide spread use of trade

## **2.1 Factors leading to receivable management**

Market factors since excessively restricted credit policy will lead to determining average accounts receivable balance and investment

Length of time the business has been operating usually businesses that have been operating for quite a long period of time have high receivable's compared to those that are entering the market and are still in the early stage of growth

Best practices and other business in the same industry to reevaluate the assumption behind the account receivable's to collection polices if there are more competitors in the same line of operations receivable management will be low compared to when competitors are few

Effective settlement of receivable arising from the supply of foreign customers. Management and purchases of payables in the two factor system the company as a factor chain costs. Costa associated with export factoring

Management of credit policy this can lead to sudden changes of account receivable's through personal contact with the debtor, information about his situation and reasons for delay

Factoring as used by cit commercial services in us the main reason is to outsource the credit and account receivable function to a service where tax payers sell at a discount and is able to determine the appropriate amount of factoring fee charged

Volume of credit sales in effective management of working capital if working capital is not managed very well receivable management will be low and if the working capital is well managed receivable management will be positively influenced. Record management and use of enabling technology

Cash conversion cycle the longer the cycle there are costs associated with holding too much and too little of each current assets and liabilities

Knowing what net terms means that is to say rewarding those who pay early in the process of selling the products of the company in order to boost the level of receivable management.

Collection period the long the collection period of receivable the lower the profitability cause it will not be easy for the enterprise to use it for more profits and the short the collection period the high the receivable since they can be re invested in the enterprise to produce more profitability.

Credit policy of the organization, if the credit policy is favorable receivable management will be high compared to when the credit policies are unfavorable.

## **2.2 Effects of receivable management on profitability**

Receivable management differs payment and keeps a minimal inventory

Effective, efficiency of receivable management leads to satisfactory profitability of enterprise as

The management of cash, debtors and stock affect the level of profits made by the enterprise

Effect of receivable management and payables facilitates to increase in business activities by increasing total sales consequently increasing recycling of funds and generating higher profitability.

As against this if management fails, it results into long average collection period (APP) leading to reduced recycling of funds, ultimately affecting profitability and liquidity of enterprises.

A well managed enterprise normally keeps the average collection period lesser than average payment period so as to minimize investment in receivables and also honor its short time obligation on time of minimizing cost of funds.

A large number of business failures have been attributed to the inability of business managers to plan and control the ACP and APP of their respective firms.

Account receivables measure the unpaid claim of firms on its customers over a given period of time, usually comes in the form of operating line of credit and is mainly due within a relatively short time up to one year. The volume of account receivables indicates the firm's supply of trade credit, during global financial crisis characterized by high liquidity risks faced by banks, trade credits may increase operating as substitute for bank credit or decrease acting on their complement. Bastospindado (2012) for example suggest that credit constraints during financial crisis cause firms holding high levels of account receivables to postpone payments of suppliers.

Account receivable represents a large investment in assets and involves significant volume of transactions and decisions. However, there is considerable difference in the level of receivables in firms around the world. Demirgüç-Kunt and Maksimovic (2001) presents evidence that in countries such as France, Germany and Italy account receivables exceeds a quarter of the firms total assets while Rajan and Zingales (1995) find that 18% of total asset of US firms consists of receivables.

In different theories the existence of receivables is explained by commercial reasons transactions cost motivation and financial incentives (Bastos and Pindado, 2007; Deloof and Jegers, 1999; Marotta 2005; Petersen and Rajan (1997) account receivable's management is a crucial field in corporate finance because its effects on firms profitability at the developed capital markets and during non crisis period.

Understanding the effect of effects of financial crisis on receivable management is especially important Serbia as a transition country. Trade credit is an important source of finance for



Serbian firms and therefore it can make a strong contribution to firm's profitability and the development of the whole economy.

According to Aksay(2005) financial theory is under three main threads: capital budgeting, capital structure and working capital management. Capital structure and capital budgeting decisions are mostly related with financing and long term investments however, financial decisions about working capital are mostly related to financing and managing short term investments that undertake both current assets and current liabilities simultaneously. efficiency in working capital management is important especially for production firms whose assets are mostly composed of current assets (horne and wachowitz (2004), as it directly affect liquidity and profitability of any firm (reheman and nasr 2007)

According to Kargar and Blue Mental(1994), bankruptcy may also be likely for firms that put in accurate working capital management procedures into practice, even though profitability is consistently positive.

Boer(1999) has insisted on using ongoing liquidity measures in working capital management. Ongoing liquidity measures refer to inflows and outflows of cash through the firm.

According to Minton(1999) , the theory of corporate risk management states that shareholders are better off if the firm maintains smooth cash flow , smooth cash flows can add value by reducing the firm's reliance on costly external finance empirically. It has been shown that cash flow volatility is costly as it affects a firm's investment policy by increasing both likelihood and costs of raising external capital.

## CHAPTER THREE

### 3.0 Introduction

For research to be effective, research design, data collection and analysis were arranged information in such a way that they enabled the researcher to come up with reliable recommendation and conclusions. The following were methodologies that employed starting with research design, study population, sampling design, research instruments and analysis of data.

### 3.1 Location of the study

Century's bottling company limited is located, Jinja road Uganda Namanve Kampala 3990 Uganda coca cola Sabco, the recently revamped Kampala plant celebrated the five gold awards from coca cola company in 2009.

It's located in Uganda Kampala industrial and Business Park is 894 acres (362ha) development to Namanve coca cola bottling plant is one of the two bottling plants in Uganda

Location in Uganda 290 kilometers (180ml), by road, southwest of Kampala, Uganda's capital city. Mbarara coca cola plant a bottling company owned by century bottling company.

Namanve lies in bweyogere ward, in south east kira municipality in Wakiso district. Central Uganda located approximately 15km (9.3ml), by the road, east of down town, Kampala, Uganda's capital and largest city. Namanve is bordered by seta to east, Namilyango to south east, Lake Victoria in the south, kirinya to the southwest and bweyogere to the west and North West. The coordinates of namanve are 021°27.0'N, 34 41'39.0'E (latitude 0.357500, longitude 32.694167)

Brakpan was sold to coca cola export corporation and the funds were used to in may 2000, coca cola Sabco port Elizabeth plant made international history .coca cola Namanve metrolex shopping mall northern by pass Kampala Uganda Nalya is located approximately 12.5kms(7.8ml) by the road.

Annual report 2011-2013 accompany program adopts a pedagogic approach that is highly to a plastic recycling plant coca cola equatorial Africa.

### **3.2 Research design**

The study used both quantitative and qualitative research designs. Qualitative design was used through asking questions and getting the feedback which was be recorded and presented in narrative form.

Quantitative design was used to reveal the numerical form of data such as statistics, percentages and so forth. It was used to quantify the size, distribution and association of the variables

### **3.3 Target population**

The target populations were mainly focused on the top management, staff, finance and accounts department and other employees of coca cola Company limited. The organization was selected because of its convenience in accessibility, limited financial resources available to the researcher and her familiarity to the organization. The targeted population was eighty employees of the organization this helped me to get information about the past nature of the area of study

### **3.4 Sampling design**

A stratified random sampling technique was used in picking the employees from which data was be collected. The population was stratified into a number of strata and the sample of employees selected from each stratum. Simple random sampling technique was also be used in selecting the employees to constitute the sample of employees selected from each stratum. All the sampled employees were contacted personally to obtain answers.

More so judgmental sampling technique was used to select a few individuals like managers who were given data in relation to the past conditions and future expectations in the area.

### **3.5 Sources of data**

The source of data of study were both primary and secondary

#### **Primary data**

This involved collection of data from respondents who were living in designated areas, data was obtained by use of questionnaires and observation of respondents

## **Secondary data**

The secondary data was acquired from reports which had been compiled by other researchers, text books, internet, magazines and news papers that concerns receivable management and profitability of enterprises in order to obtain information for the production of the final report

### **3.6 Data collection techniques**

In order to address to the objectives of research the researcher used both primary and secondary data collection techniques to assist in gathering and collecting of data which include

### **3.7 Methods to be used**

#### **Questionnaire technique**

Data was collected by use of structured questionnaires designed by the researcher. The questionnaires were sent to the top department, staff, finance and account department and other subordinates. This technique was used because all respondents were literate. The major advantage of this method included unbiased information and enough time for the respondents to consider his or her points carefully than in an interview.

#### **Interviewing method**

The personal interviews were carried out by the researcher as follow up of the questionnaires so that the interviewer is aided in the areas of difficulty and seek an in depth discussion and explanation on matters that might be missing in the questionnaires

#### **Observation method**

Observation was focused on the practical aspect of the normal tasks carried out in the organization by employees. The advantage of this method was that it protected the confidentiality of information and better recommendations based on personal observation.

#### **Data analysis**

Once the data is collected, it was analyzed by the researcher both quantitatively using spearman's statistical test to determine the relationship between receivable management and profitability of enterprises'. the correlation test gives answers ranging from 1 to -1, appositve implies appositve

relationship while a negative answer means a negative relationship and qualitative was used and presented in form of tables, and percentages scores basically showing potential themes, categories and partten was closely examined to see how actually emerge from the data in relation to the objectives of the study

The analysis of data involved the determination and effectiveness of receivable management in the enterprise, the data

### **3.8 Validity and reliability**

The interview guide and questionnaires was cross examined for approval by the research expert, to ensure the appropriateness and consistency of information to be generated

I used content validity ratio which was suggested by law she(1975) to determine the reliability of data collected

### **3.9 Content validity ratio**

$$Crv = \frac{nc}{N/2}$$

$$(N/2)$$

Where

CRV = content validity ratio

Nc = number of respondents who accepted that receivable management has got an impact on profitability of enterprises in Coca Cola Company

N = total number of respondents

2 = constant

If it gives values ranging from positive 1 to negative 1, a positive answer indicates that receivable management has got an impact on profitability of enterprises while a negative value shows that receivable management has no impact on profitability of enterprises

If an answer is appositive of 0.9, it indicated that receivable management has got an impact on profitability of Coca Cola Company.

### **3.10 Ethical consideration**

I got an introductory letter from the university to introduce me to the area of study, this involved seeking permission by the researcher from harm or harassment and confidentiality of respondents and their superior information

### **3.11 Limitations of the study**

In the course of carrying out researcher the researcher faced several constraints, which in one way or the other limited findings of research

#### **Time limitation**

The studies with my other academic obligation and commitments, thus little time was left and yet research demands a lot of time.

#### **Extraneous variances**

These were the variables in the study which the researcher was not concerned with and which variables had capacity to influence the findings.

#### **In adequate information**

Getting respondents willing to participate in the study was not easy as many complained about time. Management also limited my research findings since they were suspicious as to why I needed such sensitive information

#### **Financial constraints**

Limited finance on my part was a critical problem since the research was sponsored by me. This led to slow progress of my research. Money was needed to pay for my secretarial work, transport, communication among others.

## CHAPTER FOUR

### 4.0 PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

#### 4.1 Introduction

In this chapter the researcher presents the findings of the study, which were analyzed from the data obtained from the field as regards the impacts of receivable management on profitability of Coca Cola Company Namanve.

The study was basically guided by three objectives and they are as follows; to establish the effectiveness of receivable management in coca cola company, to find out whether there is a likelihood of a risk arising due to non restriction of receivables within the company and to find out whether there may be certain changes that may be made to the available receivables as regards to profitability

Self-administered questionnaires were used to gather data from a total of 80 respondents. Main tools of analysis include frequency tables, percentage tables, pie charts and explanations.

#### 4.2 General characteristics of respondents

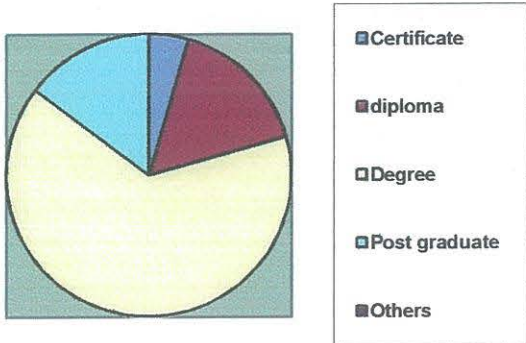
**Table 4.2.1: Sex of respondents**

Sex	Frequency	Percentage
Male	47	58.8%
Female	33	41%
Total	80	100%

**Source: Field Data.**

Table 4.2.1 above reveals that majority of the respondents were male. When translated in percentage form, the male respondents comprised 58.8% of the respondents while the female were 41.2%. It was important to consider both sexes since their views in most cases are different; therefore getting the views of the both sexes was of paramount importance as far as this study is concerned.

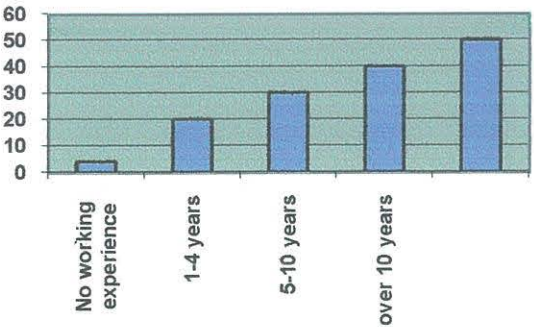
**Table 4.2.2: Education level of respondents**



**Source: Field data**

From the pie chart above, 5% of the respondents were certificate holders, 17.5% were diploma holders, 48.8% had degree level of education, and 22.5% were post graduates while 6.2% had other qualifications. This shows that in coca cola Company, the majorities of the respondents have got degree level of education and as such are expected to do work perfectly.

The study also considered the working experience of the respondents under study and the graph below summarizes the findings



**Source: Field data**

The graph above shows that 2 respondents have no working experience with coca cola Company, 21 respondents have worked the at least period in the organization, while 16 have worked for the longest period and 41 have worked for the period ranging from five to ten years in the organization.



The graph further reveals that majority of the respondents have few years (0-10 years) of work experience, while those with a long span of work experience formed the smallest number of respondents.

The study also looked at the marital status of the respondents and the table below summarizes the findings;

#### **Marital status of the respondents**

Status	Number	Percentage
Single	31	38.7%
Married	45	56.2%
Separated	2	2.5%
Any other	2	1.2%
Total	80	100%

Source: field data

From the above table, 38.7% of the respondents were single, 56.2% were married, 2.5% had separated with their spouses, 1.2% had divorced while another 1.2% fell in the category of others meaning they don't fall in any of the above categories.

It was important for this study to consider the marital status of the respondents as their views on the subject under study normally differs. It is assumed that married people for example show more responsibility and maturity on work more than the single people. As such they are likely to manage receivables well. Therefore getting their views was of paramount importance for this study.

#### **4.3 Effectiveness of receivable management**

The study set out to establish the extent to which following receivable management was effective and the table below summarizes the findings;

**Table 4.3.1: Effectiveness of receivable management in Coca Cola Company**

	Process	All the Time	Percentage	Sometimes	Percentages
1	Dual control of receivables	69	80.3%	11	13.7%
2.	receivables register maintained	58	72.5%	22	27.5%
3.	Register recorded immediately	61	76.3%	19	23.7%
4.	receivables in Vault balanced always	33	41.3%	47	58.7%
5.	Insurance limits observed	71	88.7%	9	11.3%
6.	Counter insurance limits	68	85%	12	15%
7.	Tellers' receivables always balanced	74	92.5%	6	7.5%
8.	Tellers transitions checked	70	87.5%	10	12.5%
9.	System balance compared with receivables	41	51.2%	39	48.8%
10.	receivables trolleys used in movement of receivables	23	28.7%	57	71.3%

Source: Field data

From the table, it was revealed that dual control of receivables is maintained all the time as stipulated by 86.3% of the respondents whereas 13.7% of the respondents testified that the dual control of receivables is sometimes maintained. Therefore one can say that receivable management of cash is effective as far as this aspect is concerned.

Further, the table shows that 72.5% of the respondents agreed that receivable register is always maintained up to date whereas 27.5% of the respondents said it is sometimes maintained. The implication is that there is some efficiency in Coca Cola Company since the receivable registers are maintained as many respondents attested to this

It was also brought out clearly that registers are recorded immediately in the coca cola company as the majority of the respondents aired this out (76.3%). This is an element of effective receivable management which needs to be maintained. As one supervisor said, "We have to record registers immediately because failure to do so

Can mean different things altogether including loss of receivables in a careless manner. All our workers know that this is mandatory here"

It was also established that receivables in vault although usually balanced, this is not always done. For example, 41.3% of the respondents argued that receivable in vault is always balanced whereas 58.7% said it is sometimes balanced. This shows that there is reluctance on the part of the pride management to balance the receivables in vault and shows inefficiency on their part as far as recievable management is concerned, If this is not rectified early enough, then coca cola company might keep on losing money out of negligence.

It was further established that in coca cola Company, insurance limits are always observed.

From the table above, one can say that insurance limits in Coca Cola Company are observed since majority of the respondents aired out this (88.7%). This therefore means that through the observance of insurance limits coca cola is efficient.

In connection to the above, the researcher established that counter insurance limits are also observed. Indeed it can be rightly argued that counter insurance limits in Coca Cola Company are observed as the majority respondents also attested to this. From the table above, 85% of the respondents answered in affirmative as compared to 15% of the respondents who said that it is sometimes maintained. In this case therefore, one can say Coca Cola Company is efficient in receivable management.

The researcher established that the receivable is always balanced in coca cola Company limited. Indeed in coca cola company, the issue of balancing receivables is of paramount importance and

is given due consideration. Virtually every respondent concurred that receivables is always balanced as 92.5% of respondents stressed against only 7.5% who argued that it is sometimes balanced.

Also, as far as checking tellers' transactions in coca cola company is concerned, the issue is treated with due diligence. 87.5% of the respondents attested that the management is keen when handling this issue and this shows some element of efficiency in the organization.

From the table, 51.2% of the respondents stressed that system balances are always compared with receivables whereas 48.8% said that they are sometimes compared. This shows inefficiency on the part of coca cola finance management and needs to be improved upon if receivable management is to make any meaning.

According to the above table, only 28.7% of the respondents agreed that receivables trolleys are used in the movement of receivables whereas the majority 71.3% stressed that they are sometimes used. This implies that there is inefficiency on the part of coca cola management in the carrying of receivables and needs special attention if things are to move effectively.

**Table 4: RISKS THAT MIGHT ARISE DUE TO NON STRICT  
OBSERVANCE OF THE RECIEVABLES IN COCA COLA COMPANY.**

Likely risk	Frequency	Total	Percentage
Depositor's receivables will be lacking	76	80	95%
Misappropriation of receivables by falsifying records	55	80	68.7%
Management over rides controls	69	80	60%
debtors in vaults can disappear	48	80	67.5%
Un authorized employees can have access to receivables	54.	80	60%
License can be invoked	60	80	73
Incorrect records may not be show progress of the company	67	80	83.7%

Source: Field data

From the table, 95% of the respondents strongly argued that once receivable management are not well affected, and then there will be a problem of lack of enough receivables to meet depositors demand. Indeed the researcher concurs with the view since from the experience she has, many of these have been happening time and again. This has a negative impact on the part of the institution because in the first place, it can lose customers and its credibility in the long run.

As one manager lamented

“I agree that once receivables are not well affected, then automatically cash to meet customers’ demands will be lacking but I need to mention that this is not the case with coca colaCompany limited. Ours is a different story”

Further, from the table, there was a 68.7% response from the respondents that there is a likelihood of falsification of records of subsequent transactions, a process called teeming and lading (taking away and putting back). This is possible if transactions involving receivable deposits are made by illiterate account holder, who can have their borrowings manipulated. In the interviews conducted, it was established that at coca cola Company, million shillings went missing because debtors had not paid. This was discovered at the company after verification of accounts was made.

It was brought to the attention of the researcher that in most cases management misappropriates receivables by overriding controls established by themselves for their own benefits. In this way respondents (86.3%) stressed that money normally gets lost through dubious ways which creates a bad name to such managers and a bad image to the company as a whole. Indeed one respondent stressed that;

“A certain manager was dismissed after embezzling more than 5million shillings within a period of three years that were for debtors. Such dubious ways brought about by inefficiencies in receivable management”

This needs to be controlled early enough because even if the manager is dismissed, the company loses money because in most cases, such people don't pay back the misappropriated money.

The respondents further argued that receivable in vaults if not well recorded can easily disappear. Indeed 60% of the respondents attested to this. They argued that failure to record receivables every day can bring about irregularities. Managers are always reluctant to record and follow up receivables simply because they think once they have receivable slips, they can post pone the exercise and do later but slips can easily disappear.

According to the respondents, more problems come when recording is done in a hurry and verification is not done, that is to say crossing the slips with the cash brought in at the end of the day. As one teller lamented;

“An over sight can be made and this has serious implications on the part of the management and company as a whole”.

More so, 67.5%% of the respondents stressed that when the receivables are not well effected, then even the un authorized employees will start getting access to receivables and this is detrimental to the company. For example, respondents argued that in most cases when loan officers go to clients to remind them of the dates for clearing their debts, they at times exert pressure on these customers who end up paying in whatever they have to these people with even no documentary evidence. What normally happens is that such money at times does not reach the organization. If receivable management are effected such things cannot happen because it's the credit officer who is supposed to handle receivables in such cases and not any one.

75% of the respondents said that in case receivable management are not well effected, then the regulator of coca cola company might invoke the license from those institutions where receivable management are not adhered to.

Lastly, Coca Cola Company rely on financial records to make timely investment decisions. These investment decisions may be in the form of treasury bills and shares. Accurate financial records such as a good balance sheet will always show the financial worth of an entity at any given time. If a company takes a decision to invest in shares and Treasury bill basing on the financial position as portrayed on the balance sheet yet its preparation originated from incorrect records, the company may be put into an embarrassing situation.

#### **4.4. Changes that may be made to the available to receivable management as regards debts management**

Respondents came up with a number of suggestions concerning the changes they think should be made to the available receivable management as shown below;

Most of the people employed in the in coca cola company do not have the technical skills in the field of financial management. According to interviewees, people who have studied education as a course are the ones employed on the assumption that they are good at handling customers as they would have done to Students. As such, the area of financial management is not given due consideration.

Indeed a close look at the earlier courses the employees in coca cola company had qualified in shows that the majority are not qualified in financial management as the table below shows;

**Table 4.4.1 Prior qualifications of employees in pride micro finance**

<b>Qualifications</b>	<b>No of respondents</b>	<b>Total</b>
Education	15	18.7%
Social sciences	21	26.2%
B.Com	13	16.2%
BBA	8	10%
BSC	3	3.7
Others	20	25%
<b>Total</b>	<b>80</b>	<b>100%</b>

**Source: Field data**

From the table above, it can be clearly seen that majority of respondents did not originally do financial based courses. Its only people who did B.COM (16.2%) and BBA (10%) who are presumed to be having some financial management background and the rest do not have. Therefore one wonders how financial matters are handled in Coca Cola Company if the majority of the respondents are not qualified in this.

Respondents therefore suggested that technical people with skills in financial management especially those who have done accounting should be recruited in the financial institutions.

As of now there are no or limited trolleys used in the movement of receivables in coca cola company. What are used are receivable cabins that are not easy to handle. The respondents therefore were of the view that trolleys should be employed in the transfer of receivable which could ease the whole process and the bulky cabins should be done away with.



Management should come up with a policy of organizing some workshops for the senior managers and supervisors and reemphasize the importance of an effective receivable management.

Lastly, it was observed that supervision in Coca Cola Company. lacking and as such respondents brought to the attention of the researcher there is need for close supervision and monitoring of workers and their activities if receivables is to be managed well.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter covers summary of findings, conclusion and recommendations that the researcher feels should not be left out.

#### 5.1 Summary of Findings

##### 5.1.1 Effectiveness receivable management on profitability

It can be argued that much as most receivable management systems are not very effective in coca cola company, they all exist, meaning that coca cola company has a receivable management system and procedures for the handling of cash. The only problem is the degree to which these procedures are handled. For example, only 28.7% of the respondents agreed that cash trolleys are used in the movement of cash whereas the majority 71.3% stressed that they are sometimes used. This implies that there is inefficiency on the part of coca cola management in the carrying of cash. Therefore, much as the procedures are there, they need to be serious enforced.

#### 5.2. Conclusions

From the primary data and secondary data gathered, it can be summed up that an effective receivable management in profitability plays a vital role in ensuring that the livelihood of cash disappearing and the correctness in its handling becomes improved. Despite this importance, of receivable management is still being neglected at Coca Cola Company and as such inefficiencies in cash management is recurrent. It is because of these inefficiencies that some recommendations have been made that are aimed at improving the situation as below;

Coca Cola Company has become one of the biggest companies in Uganda with more business activities and more customers' that require carrying out of proper receivable management to ensure proper profitability. Different customers come to the company some either pay in cash and others pay late which requires the company to carry out proper receivable management. Very many customers get attracted to Coca Cola Company by many factors such as good customer care, branding, packaging of coca cola products, after sales services, discounts and generally the services given to debtors of the company. This increases the receivables which

were also supported by other factors such as strategic location, availability of resources such as funds, favorable government policy which increased the company reputation leading to increased profitability.

Receivable management is a necessary evil because it has led to negative effects on profitability of the enterprises like reduced sales, delayed payment of employees, reduced company's capital and many others, sales have been reduced because capital is tied up by debtors. Employees are delayed to be paid simply because they are no enough funds to pay the would be employees due to money being in the hand s of debtors.

The government and the institution at large have tried to influence the possible measures to reduce the effects of receivable management on altering nature of profitability. The possible measures includes encouraging proper cash management, carrying out proper accountability, strict laws and regulations on debtors, encouraging proper book keeping and many others some measures.

### **5.3. Recommendations**

- Coca Cola Company should ensure that all the internal controls, policies and procedures related to receivable management are maintained, followed and adhered to. This will reduce the likelihood of an occurrence of a potential loss of profits in the future. Coca Cola Company should solve the challenges inhibiting full adherence to the receivable management, procedures and policies.
- Establish a system for authorizing transactions and activities. This is normally accomplished through a written policy with the approval of senior management.
- There is need to segregate duties in order to reduce the opportunity for any one person to be in a position to perpetrate and/or conceal errors or irregularities in the normal course of his or her duties. This can be done by assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets.
- There is also need to design and require the use of documents and records that help ensure the proper recording of transactions especially those of debtors.
- Further there is need to institute adequate safeguards for accessing and using records and assets such as receivables. Such safeguards should also cover access to records, documentation, and record-keeping files.

- There is need to segregate duties in order to reduce the opportunity for any one person to be in a position to perpetrate and/or conceal errors or irregularities in the normal course of his or her duties. This can be done by assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets.
- There is also need to design and require the use of documents and records that help ensure the proper recording of transactions and events.
- Close supervision and monitoring needs to be enforced at coca cola company if all the procedures are to be followed by the workers.
- Proper cash management in coca cola Company through proper record keeping, recording of cash received and debts to help in carrying out proper accountability will help in regulation of receivables so as to boost profitability of the company. Also strict measures should be established in the company so as to reduce on the debtors of the company.
- The effects of receivable management as they implement strategies like policies and laws regarding cash management, receivable management assessment, and ensuring better planning. Finance Committees within the company should be established and well financed by the organization.
- Proper sustainable co-management of receivables within the company. Sustainable profitability requires a careful cost benefit analysis in order
- Management should perform independent checks of the receivable management and periodic validation via auditing to ensure that records reflect assets, and that a reconciliation of assets and records is accurate and balanced. The independent checks should first attempt to identify the types of errors or irregularities actually occurring. Finally, the checks should provide relevant tests and audit procedures to evaluate the possibility that errors have occurred. Those performing the periodic audits should be familiar with the receivable management process but not be a part of it. In other words, the auditor should be somewhat independent of those involved in the process.

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## APPENDIX 1

### THE QUESTIONNAIRE

Dear respondent,

I am **TUIHAISE MARY** a student of Kampala international university carrying out my research please this questionnaire seeks your views on the topic “the impact of receivable management on profitability of coca cola company namanve Kampala Uganda”

Please spare a few minutes of your precious time and tick or fill in where applicable.

The study is purely for academic purpose and all answers will be treated with highest levels of confidentiality.

Thank you.

#### Section A.Social characteristics of the respondents

Please tick or fill in appropriately

1. Gender:            female                male
2. Marital status            a) single                b) married                c) separated
- D) divorced                e) others
3. Age bracket            a) 18-27                b) 28-37                c) 38-47
- d) 48-57
- e) 58+
4. Highest qualification
- A) Certificate     b) Diploma        c) Degree                d) Post graduate
- e) others

5. Working experience

- a) No working experience  b) 5-10 years  c) Over ten years   
 d) 14 years and above

**Section B**

Effectiveness of receivable management in profitability at coca cola company limited

Which of the following process sometimes/all the times apply in your organization?

	Process	All the time	Sometimes
1	Dual control of receivables maintained		
2	receivable register maintained up to date		
3	Register recorded immediately		
4	receivables in vault balanced always		
5	Insurance limits observed		
6	Counter insurance limits observed		
7	receivables always balanced		
8	Tellers' transactions checked		
9	System balances compared with debts		
10	receivable trolleys used in movement of receivables		



**Changes that may be made to the available receivable management as regards to profitability**

1) Suggest some of the changes that can be made to the available receivables as regards to debts management?

.....  
.....  
.....  
.....  
.....

2) What are the likely risks that might arise due to non-strict observance of receivables in Coca Cola Company?

Likely risk	Frequency	Total	Percentage
Depositor's receivables will be lacking			
Misappropriation of receivables by falsifying records			
Management over rides controls			
debtors in vaults can disappear			
Un authorized employees can have access to receivables			
License can be invoked			
Incorrect records may not be show progress of the company			

## SECTION B

### FACTORS FOR RECEIVABLE MANAGEMENT IN COCA COLA COMPANY

1. Where were you working before coming to Coca Cola Company?
  - a. Still at school
  - b. In another company (specify)
2. How did you know about Coca Cola Company?
  - a. While at school
  - b. Media
  - c. Family and friends
  - d. Others (specify)
3. For how long have you been in Coca Cola Company?
  - a. A year ( short period)

- b. 2-5years ( medium period)
  - c. 6-15 years ( long period)
  - d. 16 and above years ( very long period)
4. Do you think you will still be in coca cola companyfor more time
- A . Yes
  - B . No
- Give reasons.....
- .....
5. Is your work related to the real factor that brought you in coca cola company?
- a. Exactly the same
  - b. Completely different
6. Are you trying to encourage more people to come in coca cola company
- a. Yes
  - b. No
7. If yes what factors encourage you to attract other people?
- a. Customer care
  - b. Brand
  - c. Packaging
  - d. Quality of products
  - e. Others ( specify)
8. Do you think people will still come to coca cola company?
- a. Yes
  - b. No

**SECTION C**

**EFFECTS ON PROFITABILITY**

9. Have you realized any effect on the profitability?
- a. Yes
  - b. No

10. If yes, specify how is profitability affected by the factors below?

- a. Accountability
- b. Record keeping
- c. Strict laws

Any other please

specify.....  
.....

11. How are the factor mentioned above been in the past|?

.....  
.....

12. How are those factors in (10) above currently?

.....  
.....

13. Which factors are carried out in coca cola Company that affect profitability apart from the above?

.....

14. What problems are encountered due to receivable management?

.....

**SECTION D: CONSERVATION MEASURES**

15. Do you know the measures being used to reduce factors that affect profitability?  
.....

16. Do these measures include any of the following?

- a. Carrying out proper accountability
- b. Proper book keeping
- c. Strict laws and regulation
- d. Record keeping

17. Who is encouraging the above mentioned measures?

- a. The company
- b. Government
- c. Share holders
- d. Others ( specify)

18. How success full is the above mentioned measures?  
.....  
.....

19. What are the failures or problems of these measures?  
.....  
.....

20. What other measures do you think that they should be implemented?  
.....  
.....

**SECTION E:**

**RELATIONSHIP BETWEEN RECEIVABLE MANAGEMENT AND PROFITABILITY**

21. What is the relationship between receivable management and profitability?

A. Receivable management reduces profitability

B. Receivable management increases profitability

22. How was coca cola company in term of receivable management in the last 10- 20 years?

a. Good

b. Moderate

c. Fair

d. Bad

23. Have profitability increased or reduced?

a. Increased

b. Reduced

## APPENDIX II

### ESTIMATED BUDGET

Particulars	Amount(ug.shs)
Typing and printing	50,000/=
Pen	500/=
Transport	20,000/=
Lunch	50,000/=
Communications	20,000/=
Binding	30,000/=
I ream of papers	10,000/=
Miscellaneous	50,000/=
Total	230,500/=