WORKING CAPITAL MANAGEMENT

INSTITUTE FOR PROFESSIONAL AND EXECUTIVE DEVELOPMENT

United Kingdom

UNIT SPECIFICATION

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Unit Title

Working Capital Management

Credit value

The credit value for this unit is 30 30 credits equivalent to 300 hours of teaching and learning (10 hours is equivalent to 1 credit) Guided learning hours (GLH) = 50 hours GLH includes lectures, tutorials and supervised study. This may vary to suit the needs and requirements of the learner and/or the approved centre of study. Directed learning = 50 hours: This includes advance reading and preparation, group study, and undertaking research tasks. Self-managed learning = 200 hours: This includes completing assignments and working through the core and additional reading texts. It also includes personal research reading via other physical and/or electronic resources.

Learning outcome Learner will:	**Assessment criteria** Learner can:
1.0 Understand key issues in working capital management	1.1 Explain what is meant by working capital management 1.2 Classify working capital by component and time 1.2.1 Differentiate between net working capital and gross working capital and; permanent working capital and temporary working capital 1.3 Give an account on the working capital cycle 1.4 Discuss the importance of working capital management 1.5 Examine the nature of working capital management in both small and large companies 1.6 Analyse the nature of profitability and risks in working capital management 1.7 Evaluate management's role in determining the appropriate level of current assets 1.8 Explain why profitability varies inversely with liquidity and why profitability is said to move together with risk 1.9 Examine the 3 categories that describe the motives why corporations hold cash (i.e. transaction motives, speculative motive and precautionary motive) 1.10 Explain the meaning of control of disbursement and discuss its significance in working capital management
2.0 Understand the nature of financing current assets	2.1 Evaluate the hedging (maturity matching) approach 2.2 Analyse the nature of short term versus long term financing 2.2.1 Examine the risks associated with short term versus long term financing (i.e. financing short term projects with long term loans and vice versa) 2.3 Explore the nature of uncertainty and margin of safety with

	respect to financing 2.3.1 Examine the margin of safety a business needs to ensure if it cannot borrow on short notice to meet unexpected cash demands (e.g. by increasing the level of current assets, by lengthening the maturity schedule of financing) 2.3.2 Analyse the effect of management's actions with respect to ensuring a margin of safety on the firm's profitability
3.0 Understand key issues relating to a company's investment in marketable securities	3.1 Analyse the segments of short term marketable securities (i.e. free cash segment, ready cash segment, controllable cash segment) 3.1.1 Examine the key considerations that must be made in selecting securities for the portfolio segments 3.2 Discuss the considerations that must be made before purchasing marketable securities such as safety (of principal), marketability (or liquidity), interest rate (or yield) risk and maturity 3.3 Examine the characteristics/purpose of the common money market instruments (e.g. treasury securities, repurchase agreements, banker's acceptance, commercial paper, negotiable certificate of deposit)
4.0 Understand key issues relating to credit and collection policies	4.1 Give an account on the collection policy and procedures that may be used by an organization 4.2 Analyse the relevant decisions associated with the credit and collection policies of a firm (such as the quality of the account accepted, the length of the credit period, the size of the cash discount given, any special terms such as seasonal dating, the level of collection expenditure)

	4.3 Explore the sources of information that may be used to analyse a credit applicant 4.4 Discuss how a company may outsource its credit and collections activities 4.5 Explore ways of reducing receivables (e.g. by performing credit checks, account management, aged debt report, changing the business model, through prompt payment discount, by converting receivables into cash immediately using factoring and securitization, through guaranteeing payment, by using direct debit settlement etc.)
5.0 Understand the nature of inventory management and control	5.1 Explain the meaning of inventory management 5.2 Explore the reasons why a business may need to hold inventory 5.3 Examine the need to reduce inventory 5.4 Calculate the economic order quantity (EOQ) using given information and interpret the outcome 5.5 Examine the nature of demand forecasting 5.5.1 Describe the simple average, exponential smoothing, moving average, adaptive smoothing forecasting techniques 5.6 Discuss the contribution of supplier reliability to effective inventory management 5.7 Discuss the advantages and disadvantages of Just-In-Time

Recommended learning resources

Indicative reading	Glen Arnold 2008; Corporate Financial Management 4th Edition. Prentice Hall ISBN: 978-0273725220 • For a full list of textbooks and publications relevant to this unit, please contact IPED - UK.
Learning Aid	• A comprehensive IPED study material is available to aid in learning and research of this unit. • We supply IPED course materials free of charge. Our study materials, which offer quick learning start, are comprehensive, use simple English, and are easy to read and understand. The contents are so sufficient and self-explanatory; that in majority of cases readers do not require further support; although support is always available when you need it.