

# Contents

	Preface	xi
	Acknowledgments	xv
<b>Chapter 1</b>	<b>Concepts in Working Capital Management</b>	<b>1</b>
	Working Capital Concepts	1
	Ratio Analysis	7
	Working Capital Ratios	7
	Significance of Working Capital	12
	Applying These Ideas to a Real Business	15
	Summary	18
<b>PART I</b>	<b>CASH—TRANSACTIONS, BANKING AND CREDIT, AND FINANCIAL INSTRUMENTS</b>	<b>19</b>
	Comprehensive Case: Widget Manufacturing Case I	19
<b>Chapter 2</b>	<b>Cash: Management and Fraud Prevention</b>	<b>25</b>
	Forms of Cash	26
	Lockboxing	30
	Controlled Disbursement	34
	Bank Products Used for Electronic Transactions	37
	Summary	42

<b>Chapter 3</b>	<b>Cash, Credit, and Short-Term Financial Instruments</b>	<b>43</b>
	Developing a Short-Term Forecast	44
	Preparing a Cash Budget	45
	Credit Financing	48
	Short-Term Investments	54
	Summary	59
<b>Chapter 4</b>	<b>Concentration Banking and Financial Institution Relationships</b>	<b>61</b>
	Changing Financial Landscape	62
	Bank Relationship Management	63
	Concentration Banking	64
	Request-for-Proposals	69
	RFP Evaluation	75
	Bank Relationship Reviews	78
	Summary	80
<b>PART II</b>	<b>OTHER WORKING CAPITAL ACCOUNTS— RECEIVABLES, INVENTORY, AND PAYABLES</b>	<b>81</b>
	Comprehensive Case: Widget Manufacturing Case II	81
<b>Chapter 5</b>	<b>Accounts Receivable and Working Capital Issues</b>	<b>89</b>
	Elements of Receivables Management	90
	Receivables Cycle Monitoring: Ratios	94
	Receivables Cycle Monitoring: The Aging Schedule	96
	Sales Financing	98
	Credit Reporting	99
	Terms of Sale	103
	Invoice Generation	104

Contents	vii
Asset-Based Financing: Receivables	107
Debt Collection Agencies	109
Summary	109
<b>Chapter 6 Inventory and Working Capital Issues</b>	<b>111</b>
Elements of Inventory Management	112
Inventory Cycle Monitoring: Ratios	113
Inventory Cycle Monitoring: Metrics	115
Purchasing	117
EOQ and JIT	122
Work-in-Process	124
Asset-Based Financing: Inventory	129
Summary	131
<b>Chapter 7 Payables and Working Capital Issues</b>	<b>132</b>
Elements of Payables Management	133
Payables Cycle Monitoring: Ratios	134
Accounts Payable Function	136
Payables Using Internal Processes	139
Payables Outsourcing	140
Payroll Alternatives	145
Summary	149
<b>PART III ISSUES IN WORKING CAPITAL MANAGEMENT</b>	<b>151</b>
Comprehensive Case: Widget Manufacturing Case III	151
<b>Chapter 8 International Working Capital</b>	<b>155</b>
Capitalism Goes Global	156
Elements of International Working Capital	157

Financing of International Transactions	158
Foreign Exchange Markets	160
Analysis of Country Risk	167
Other Significant Issues in International Working Capital	169
Cultural and Corporate Practices Affecting Working Capital	171
Summary	174
<b>Chapter 9 Information and Working Capital</b>	<b>175</b>
Information Technology	176
Bank Information Technology	178
Internet Bank Technology	182
Enterprise Resource Planning: An Alternative Approach	188
Choosing Working Capital Information Systems	191
Summary	197
<b>Chapter 10 Managing the Working Capital Cycle</b>	<b>199</b>
Risk and Working Capital	200
Enterprise Risk Management	202
Efficiency and Working Capital	204
Liquidity and Working Capital	207
Suggested Actions	210
Developments in Working Capital Management	215
The Cost of a Transaction	217
Summary	221

Contents

ix

Appendix A: Suggested Solutions to Widget Manufacturing Company Case—Parts I, II, and III	223
Appendix B: Basic Financial Concepts	233
Appendix C: Web Sites of Working Capital Market Participants	238
Appendix D: Glossary	241
About the Author	262
Index	263

<http://www.pbookshop.com>

<http://www.pbookshop.com>