

# Working Capital Management Systems in Manufacturing Companies “A Case Study of Sierra Leone Brewery Limited

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## Abstract

This study seeks to answer basic research questions. The working capital processes and efficiency of a manufacturing company in managing its cash operating cycle, using operating cycle model. For most part, the study agrees that Sierra Leone Brewery Limited has a strong working capital management system, where both the strategy and operational level are involved in budgetary and planning issues. The study also shows that an improvement in both current and quick ratios for the period from 2012 to 2015. Current ratios moves from (0.74: 1) < 2 in 2012 to (3.36:1) > 2 in 2015. The cash operating cycle, otherwise known as working capital cycle also falls from 447days in 2012 to 182 days in 2016, showing that the business improves in converting its investment into liquidity.

**Keywords:** Working capital management • Budget planning • Cash cycles

## Introduction

The purpose of this study is to investigate the working capital management strategy as a performance management tool of Sierra Leone Brewery Limited for the period of 5 years from 2012 to 2015. Jefferson et.al. pointed that working capital management decisions are key business strategy instruments as they affect the profitability and value addition of firms, especially manufacturing [1]. Working capital management involves managing current assets and current liabilities of firms. Joshi, et. al. defines current assets as elements used by firms to enhance business operations, liquidity and profitability around the cash operating cycle of an organisation [2]. Working capital elements include mainly, cash, accounts receivable, inventories and accounts payables.

Working capital elements can have serious effects on the operations of organizations if they are not properly managed. Kaplan argues that if firms should reach an optimal balance level between working capital elements, then there must be a comprehensive working capital plan [3]. This in turn would add to the overall strategy of a corporation and add value to shareholders wealth [4].

Sierra Leone is a developing country with a limited amount of manufacturing companies, struggling to compete with international products, especially when the country operates an economy system. There are limited researches which consider working capital management effect on the performance for manufacturing companies in Sierra Leone, which this will seek to address.

This project will use the mixed method, qualitative and quantitative by obtaining both primary and secondary data to answer two fundamental questions. Firstly, has Sierra Leone Brewery Limited been involved in a working capital strategy? Secondly, Has Sierra Leone Brewery Limited able to manage its cash operating or working capital cycles for the periods 2011 to 2015 inclusive? The first question will be answered by collecting primary data with the used of structured and unstructured questionnaire,

while the second question will be answered analyzing secondary data from the company's audited financial statements.

### Background to Sierra Leone Brewery Limited

There are few beverages companies in Sierra Leone and Sierra Leone Brewery Limited is one of the few and oldest in the country. As at December 2017, manufacturing contributed a total of 15% to the gross domestic product of the country and agricultural contribution has also been on the increase. Sierra Leone Brewery Limited is a company that is involved in both manufacturing and very recently in agriculture.

Sierra Leone Brewery Limited started the business of manufacturing in 1961 after the supply of beer in the country was cancelled by Heineken and other beverages companies around the world. During the eleven years civil war in Sierra Leone from 1991 to 2002, SLBL was one of the most hit companies in the country. The company did not only shut down operations several times, but its entire assets and market infrastructures across the country were destroyed.

Sierra Leone Brewery currently produce three main products and directly employs about 1000 staff, which also provides more than 5000 indirect employments through its production and marketing chains. In 2015 after the Ebola outbreak in Sierra Leone, the company SLBL expands its production capacity to take advantage of the additional taxes imposed on imported alcohol products. A new production facility with state of the art facilities were installed, the company in turn abandoned the importation of its main raw materials inputs and established agricultural outfits to grow these products in country. This improves of agricultural value addition and improves on the image of the country.

Sierra Leone Brewery Limited is the fifth largest manufacturing company in the country in terms of output, revenue generation and tax paid to the National Revenue Authority. The company has paid more USD 7 in taxes after the Ebola. Apart of paying taxes the company also involves in corporate social responsibility not only around wellington area, but has also built schools, hospitals and other social institutions across provincial Sierra Leone. This includes the sponsorship of a hydro electricity and water projects in northern Sierra Leone.

### Objective of the study

The successful management of working capital is essential for planning and management should ensure that the right processes and procedures. As working capital management requires both human input and the understanding the changes in trends, this study will be based on a general objective and two fundamental objectives. These include;

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- Firstly, to understand the level of employees participation in the overall process of internal control and working capital management planning and
- Secondly, to understand the changes in the trends of working capital management variables of Sierra Leone Brewery limited between the periods from 2010 to 2015.

As the primary objectives of working capital management are to increase the portability and enhanced liquidity in both the short and long term, these objectives will help this study to assess both the management process and the balance sheet structure of a company involved in working capital planning.

### Research questions

- Has Sierra Leone Brewery Limited involved in working capital management?
- Secondly, has Sierra Leone Brewery Limited able to manage its cash operating or working capital cycles for the periods 2012 to 2015 inclusive?

### Scope of the study

The study will cover the activities of Sierra Leone Brewery Limited from a period of four years.

## Literature Review

The conceptual framework of this literature examines the successes and failure of the working capital management system. The literature review explains the existing knowledge and the significance of working capital management, in the management of manufacturing organisation, especially with regards the management of liquidity and profitability. A theoretical literature examines existing arguments between various schools of working capital management. The empirical literature examines existing research on working capital management, the methods used, the conclusions reached and the policy recommendations.

Several literatures have shown that working capital management can contribute to improved financial management performance [5]. According to Arthus, financial optimization is one reason for the establishment of working capital planning, as it establishes what people need to do in terms of organisation value addition [6]. First introduced in 1920, working capital management has enhanced both cash flow and cost management for companies that actually implemented systemic working capital management planning. Regardless of the introduction of working capital management in 1920, the system became very popular in the 1960s as many large firms introduced the concepts. During these years and until this day, the focus of working capital management has been changing, from meeting targeted sales to meeting production deadlines and very recently managing organizations' liquidity and solvency.

Working capital management has helped as a comprehensive approached to management working capital elements and companies that have adopted structured working capital management systems have been able to understand issues of overtrading, overcapitalization and capital requirements [7].

According to Chandra internal controls is fundamental for proper financial management, and without the correct financial management procedures, success will be constrained [8]. David suggested that working capital management is not just a financial tool, performance resources, procurement and the overall business strategy can be addressed by an effective working capital management planning process [9]. Working capital management can help answer the question what to produce, how much to produce, for whom to produce and who to buy from [9].

According to Gershon, control involves decision making [10]. Decisions and obtaining information which leads to action planning, "effective

control is said to be based on standards which actual performance can be compared". Ishola contributed on effective control and advises that long-term effectiveness can be achieved if the organizations focus on tools that enhance control, one of which is the adoption of working capital management [11]. Authors have associated business success to clear control vision and plans. Morlidge and Maheshwari suggested that working capital management is a control tool which management can use to plan resource allocation, through the establishment of working capital cycles; while McAlpine believes that working capital planning can control spending and also serve as an instrument for profitability and liquidity enhancement [12-14].

Several ethical considerations can be associated to working capital management, with regards to who get involves in the process of managing working capital elements. Managers are evaluated, based on their contribution to value addition, therefore should be involved in most of the planning decisions, they should also be given the opportunity to evaluate plans against results and identify reasons for variances. According to Moor, incentives should be provided for people to report financial management control gaps suggest that suggest possible remedies However, many companies put pressure on employees to achieve ever more difficult targets without their own input control procedures [15,16].

Different persons are involved in working capital management planning. According to Stephen et. al., employees, should prepare and be responsible for the budget and working capital management plan, at their department [17]. Working capital management planning is relevant in large companies and a budget committee should be instituted to oversee the process.

Several researchers have established the relationship between budgetary participation and working capital management, Kapler outlined that psychological theories is one important justification for the involvement of employees in the budget reparation process and the working capital [18]. Firstly, the argued that upward budget participation can stimulate information sharing and motivate the commitment of employees. Secondly Becker & Green job satisfaction will be realised.

The impact of firms' size is a key concern for working capital management process and performance. According to Keats working capital management techniques are applied differently depending of the size and operational pattern of the firm [19]. A typical example is the argument put forward by Fisher who indicated a cognitive theory of organization on how the shape of the firm helps inform the application of accounting techniques. The cognitive theory of organization in management accounting was also supported by Maheshwari suggested three conditional variables necessary for understanding the cognitive theory to management accounting systems [13]. These include the environmental dynamism, the relationships between sub-unit and the specification of the work methods [20].

Chandra generally linked financial performance to measurement to the use some financial indicators [9]. For working capital management, several indicators have been suggested as helpful, these includes, liquidity ratio, acid test ratio and working capital or cash operating cycles. Agu defined working capital or cash operating cycle as the lead-time between making cash investment outflows and the receipt of cash inflow from that investment [5]. For manufacturing companies this takes into consideration the raw materials conversion periods, invention turnover periods, receivables turnover periods and payable periods [4]. They submitted that financial indicators can provide a summary understanding of specific objectives of a company's financial performance and operating tactics.

## Methodology

The study used both primary and secondary data. Structured questionnaires were designed and administered to collect responses from the sampling population within the Sierra Leone Brewery Limited. Also, interviews and focus group discussion was conducted with experienced staff including the internal audit department who has the requisite information

on the research topic as well as other administrative issues around the management of financial resources. Most of the financial information for the analysis of working capital will be obtained from the company audited financial statement.

This study focuses on working capital management in Sierra Leone, with special reference to employees' involvement. In order to carry out an in-depth and comprehensive study, 60 employees were being randomly selected within both middle and senior management of Sierra Leone Brewery Limited. Four departments were involved, namely finance, sales and distributions, production and administration. Due to constraints such as money, time and other limited resources that were available for the study, customers and suppliers of Sierra Leone Brewery were not contacted for interview.

The secondary data obtained from the financial statement of Sierra Leone Brewery Limited were analyzed using the following accounting ratios.

- **Liquidity Ratios (LR)** – This is also referred to as working capital ratio. There are basically two types of liquid ratios. The currently and the Acid/Quick Ratios. The liquid ration tests for the ability of Sierra Leone Brewery to meet its current liabilities when they feel due. The acid test or quick ratio is a liquid ratio, but excludes inventories from the current asset calculation. The reason for the exclusion of inventory is because it is not readily available to pay organizations current liabilities. According to Kirby (1991) organizations need to be able to assess their cash levels to understand how to leverage between current cash flows and the payment of liabilities when they fall due.
- **Average Receivable Period (ARP)** – This ratio calculates the minimum number of days that a company takes to collect amount owned by debtors. This forms part of the working capital cycle of the company as a delay in receipt of cash from debtors will prolong the working capital cycle of the organisation.
- **Average Payment Period (APP)** - The payable period otherwise known as the creditors' payment period assesses the number of days the organization takes to pay its current liabilities. This is important for the company to
- **Inventory Turnover Period (ITP)** – This period accesses the length of time in days that an organisation takes on average to convert its finish inventories to sales. This is an important indicator of the working capital cycle as it determines the length of the working capital cycle.

All the above elements were considered in calculating the working capital cycle of Sierra Leone Brewery Limited. According to Lucy (2002) the working capital cycle is a function of the equation below;

$$WCC = OP + MP + ITP + ARP - APP$$

Where:

**WCY:** Working Capital Cycle; **OP:** Ordering Period; **MP:** Manufacturing Period; **TP:** Turnover Period; **ARP:** Average Receivable Period; **APP:** Average Payable Period.

OR is basically the lead time between ordering the raw materials and the time it takes to reach the factory. An extended ordering period will prolong the working capital cycle. The manufacturing period is the time taken by Sierra Leone Brewery Limited to complete one production cycle. The budgetary control system was also investigated and review.

The Table 1 below shows the working capital cycle variables, the formula to calculate them and the standard expectation. The working capital cycles is measured in days.

## Presentation and analysis of results

The results of the perception survey will first be resented before the result form the quantitative analysis of financial data.

## Analysis and discussion of results from primary data

Of the 60 questionnaires distributed, 45 were returned having being completely answered by the respondents. This is shown in Table 2 below:

### Discussion on the response rate

The study targeted 60 respondents in collecting data with regards to the effect of budgets and budgetary control on the performance of Sierra Leone Brewery Limited. From the study, 45 respondents out of the 60 responded to the questionnaire, making a response rate of 75%. According to Mugenda and Mugenda a 50% response rate is adequate, 60% good and above 70% rated very good. This also concurs with Kothari assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertions, the response rate in this case of 75% is very good and high enough to warrant the research to be conducted.

### Discussion on the age distribution of the respondents

From the Table 3 above, 11% of the respondents are between age 25-30, 56% of respondents are between age 31-35, 22% of the respondent are between age 36-40 and 11% of the respondents are age 40 above. This implies that all respondents are adults and their responses can be relied on.

### Discussion on the years of experience of the respondents

Table 4 above shows 11% of respondents have 1-5 years working experience, 56% of respondents have 5-10 years working experience 22%

**Table 1.** Formula for Working Capital Variables.

Working Capital Variable	Formula	Expectation
Current Ratio	Current Assets/Current Liabilities	Ø 2
Quick /Acid Test Ratio	Current Assets – Inventories/Current Liabilities	1
Ordering Period	Given by the SLBL	
Manufacturing Period	Given by the SLBL	
Turnover Period	(Average Inventory/Cost of Sales) x 365	
Average Receivable Period	(Receivable /Credit Sales) x 365	
Average Payable Period	(Payable /Credit Purchases) x 365	

**Table 2.** Response Rate.

No. of questionnaire distributed	No of questionnaires responded to	Response rate	No of questionnaires not responded to	No response rate
60	45	0.75	15	0.25

**Table 3.** Age Distribution.

Age	No. of Response	Rate of Response %
25-30	5	11
31-35	25	56
36-40	10	22
Above 40	5	11
Total	45	100

**Table 4.** Years of Experience.

Years	No. of Response	Rate of Response %
43952	5	11
44109	25	56
42278	10	22
Above 15	5	11
Total	45	100

of the respondents have 10-15 years of working experience and 11% of the respondents have above 15 years of working experience. With 56% of respondents have 5-10 years of experience implies that respondents will give confirmed answers to the researcher.

### Discussion on whether the company engaged in working capital management

Table 5 above shows the responses from respondents concerning whether the company engages in working capital management. A total of 40 respondents representing 89% of the total respondents indicate that the company engages in working capital management. This clearly shows that engaging in working capital management is necessary in every organisation, especially manufacturing companies.

### Who are involved in the working capital management processes?

The respondents indicated that Sierra Leone Brewery Limited prepares working capital plan regularly, especially, at the end of a production cycle to determine the working capital requirements. In practice, the year is broken down in twelve (monthly) control periods, the company has four (4) departments which are Sales, Production, Finance, Budget and Administration and each of these is controlled by a Director or Manager.

The preparation of working capital schedules is done by a budget committee which is headed by the Budget Director, who controls and coordinates the budget preparation process of the company.

### Discussion on whether the company prepares working capital performance reports

From Table 6 above 38 respondents representing 84% of the total respondents indicate that the company prepares working capital management report. This clearly shows the significant role performance report plays in accessing the performance of the organisation hence success of the company.

The result obtained from Table 7 above shows 28 respondents representing 62% of the respondents strongly disagree that Sierra Leone Brewery Limited normally distribute working capital performance report and 16% of the total respondents also disagree to receive working capital performance report. And if 62% respondents do not receive their reports, there may be some issues on performance because there are millions of lessons to learn from the performance result, it can reflect on staffs productivity and efficiency level. The performance report is suggested to be shared only amongst the top management.

### Discussion on whether a working capital management report is useful for assessing the performance of the company

From Table 8 above 38 respondents representing 84% of the total respondents indicate that the performance report prepared by management is useful in assessing performance of staff. This clearly shows the significant role performance report plays in accessing the performance of the company which will eventually show on the sustainability and continuity of the company.

From Table 9 above, it could not note that 41 respondents representing 91% of total respondent states that there is an existence of budgetary

**Table 5.** Do Sierra Leone Brewery Limited engaged in Working Capital Management?

Responses	No of Responses	% of Responses
Strongly Agree	40	89
Agree	5	11
Strongly Disagree	-	-
Disagree	-	-
Total	45	100

**Table 6.** Does Your Company Prepare Working Capital Performance Reports?

Responses	No of Responses	% of Responses
Strongly Agree	38	84
Agree	5	11
Strongly Disagree	-	-
Disagree	2	5
Total	45	100

**Table 7.** Does the company normally distributes Working Capital Management Performance Report?

Responses	No of Responses	% of Responses
Strongly Agree	-	-
Agree	10	22
Strongly Disagree	28	62
Disagree	7	16
Total	45	100

**Table 8.** Analysis on Working Capital Management Report and its usefulness for assessing the performance of the company.

Responses	No of Responses	% of Responses
Strongly Agree	38	84
Agree	5	11
Strongly Disagree	-	-
Disagree	2	5
Total	45	100

**Table 9.** Do you have Budgetary Control Systems in the Company.

Responses	No of Responses	% of Responses
Strongly Agree	41	91
Agree	3	7
Strongly Disagree	-	-
Disagree	1	2
Total	45	100

control systems at Sierra Leone Brewery Limited. This clearly shows that the Sierra Leone Brewery Limited has a budgetary control system. This is important for the management of working capital of the company. Budgeting plays a role in the operational efficiency of any manufacturing company.

Table 10 highlights the various responses gotten from the respondents who indicated that there is a link between budgets, budgetary controls and the working capital management of Sierra Leone Brewery Limited. In the analysis above, 3 respondents representing 7% indicated that budgetary control serves as a basis for decision making for improved working capital performance, 7 respondents representing 16% indicated that budgetary control is the fundamental for sound planning of working capital management, 10 respondents representing 22% indicated that budgetary control is a measure for performance, 20 representing 44% indicated that budgetary control provides structural support for working capital management performance, while 5 respondents representing 11% indicated that budgetary control is a tool for proper resource allocation and control. This clearly shows that budgetary control is linked to working capital management in numerous ways, and the biggest link between budget, budgetary control and performance is that it provides the support needed for working capital management of Sierra Leone Brewery Limited [21].

### Discussion on the problems facing the working capital management and budgetary control systems of Sierra Leone Brewery Limited:

Table 11, clearly highlights the various challenges facing the working capital management and budgetary control system of the company. The table indicates that 10 respondents representing 22% indicating inaccurate



**Table 10.** What are the Relationships that exist between Budgetary Control and Working Capital Management of Sierra Leone Brewery Limited.

Responses	No of Response	% of Response
Basis for decision making	3	7
Foundation for sound planning	7	16
Measurement for performance	10	22
provides structural support to performance	20	44
Resource allocation control	5	11
Total	45	100

**Table 11.** What Are the Problems Facing the Working Capital Management System and Budgetary Control Systems of the Company?

Responses	No of Response	% of Response
Inaccurate Records	10	22
Negligence of the importance of budget	20	44
Lack of integration with overall strategy	7	16
Lack of financial expert	1	2
Overestimating of cost	7	16
Total	45	100

records as a challenge, 20 respondent representing 44% indicating that negligence of the importance of budgets and budgetary control was a challenge in the organisation, 7 respondents representing 16% indicated lack of integrity with overall organizational strategies as a challenge, 1% respondent representing lack of financial expert, another 7 respondents representing 16% indicated overestimation of cost by managers so that they will not be blame in the future for overspending.

This suggest that there are numerous and serious problem facing working capital management of the company. The finding also corresponds to a similar research conducted by Boquist who argues that the lack of financial experts and the right strategies are typical problems facing the management of working capital and budgetary control [22].

## Analysis

Table 12 shows responses on whether the problems can be properly addressed, 45 respondents representing 100% indicated that the challenges faced by the company on budgetary control can be properly addressed.

Table 13 highlights on the various ways organizational performance can be improved through budget and budgetary control, 20 respondents representing 44% indicated that budgets should be linked with the overall strategies of the organisation, 8 respondents representing 18% indicated that budgets should be linked with the overall strategies of the organisation, 4 respondents representing 9% o said more skilled financial analyst should be hired to prepare budget, 5 respondents indicated review of budget 1 respondent representing 2% indicated creation of enabling environment while 7 respondent indicated that budgets should be used as a benchmark for improved performance.

## Analysis and discussion of results from secondary data

Table 14 below represents financial data of the Sierra Leone Brewery Limited form 2012 to 2015 inclusive. This information was supplied by the audit department of the Sierra Leone Brewery Limited.

Table 14 below shows extracts from key variables of the financial statement of Sierra Leone Brewery Limited for each accounting periods.

The financial report of Sierra Leone Brewery Limited was reared using the International Accounting Standards (IASs) and the International Financial Reporting Standards (IFRSs).

Table 15 below shows the working capital ratio calculations of Sierra Leone Brewery Limited for the periods from 2012 to 2015.

## Interpretation of Working Capital Ratios of Sierra Leone Brewery Limited

### Current and acid test/quick ratios of Sierra Leone Brewery Limited

Current ratio measures the amount of current assets available to Sierra Leone Brewery limited to meet its current liabilities.

**Table 12.** Can These Problems Identify Above Be Addressed?

Responses	No of Response	% of Response
Strongly Agree	45	100
Agree	-	-
Strongly Disagree	-	-
Disagree	-	-
Total	45	100

**Table 13.** How Can Working Capital Management be improved through Budget and Budgetary Controls?

Solutions	No of Response	% of Response
Linking Budget with overall strategy	20	44
Keeping proper record	8	18
More skill financial analyst	4	9
Budget Review	5	11
Creating of enabling environment	1	2
Using Budget as a benchmark	7	16
Total		

**Table 14.** Sierra Leone Brewery Limited Financial Statement as at 31<sup>st</sup> December.

	2012	2013	2014	2015
	SLL'000	SLL'000	SLL'000	SLL'000
<b>Revenue (Sales)</b>	11454321	14321433	18323402	24020410
<b>Cost of Sales</b>	6457145	7548245	10578524	13544541
<b>Gross Profit</b>	4997176	6773188	7744878	10475869
<b>Purchases Figure</b>	3114845	3545421	4454254	8854248
<b>Inventories at Start</b>	1542184	2142452	2644222	3548212
<b>Closing Inventories</b>	8875481	1142415	1510041	1875784
<b>Total Receivable</b>	5487542	6556484	8455847	4541454
<b>Total Payable</b>	658548	502457	475487	354754
<b>Total Current Assets</b>	14514514	16588772	20753030	28737288
<b>Total Current Liabilities</b>	7585455	6852155	8854520	7758851

**Table 15.** Sierra Leone Brewery Limited Financial Statement as at 31<sup>st</sup> December.

<b>Current Ratio</b>	1.91	2.42	2.34	3.7
<b>Acid Test Quick Ratio</b>	0.74	2.25	2.17	3.46
<b>Average Inventory (SLL)</b>	5208833	1642434	2077132	2711998
<b>Turnover Period</b>	294	79	72	73
<b>Average Receivable Period</b>	175	167	168	69
<b>Average Payable Period</b>	77	52	39	15
<b>Ordering Period</b>	45	45	45	45
<b>Manufacturing Period</b>	10	10	10	10
<b>Working Capital Cycle</b>	447	250	256	182

Figure 1 shows the change in both current and acid test ratios. The standard for current ratio is 1:2, meaning for the firm to be in a better liquidity position there should be twice as much current assets that there are current liabilities. There has been a steady improvement in current ratio over the years. Current ratio improves from 1.91 in 2012 to 3.70 in 2015, even though there was a slight reduction from 2.42 in 2013 to 2.34 in 2014. Similarly, the acid test ratio which is a more robust form of liquidity test and took out closing inventory from current to see if Sierra Leone Brewery can meeting its current liabilities without selling inventories, also saw an improvement from 2013 to 2015, with the 1: 0.74 exception in 2012. The acid test ratio should be 1:1 at least.

### Turnover period of Sierra Leone Brewery Limited

This assess the average rate at which Sierra Leone Brewery Limited can sell all its inventories.

The lower the turnover period, the better, meaning, the firm can quickly convert its finish goods into sales. The Figure 2 above shows a sharp fall in turnover period from 294 days in 2012 to 79 days in 2015, and continues to be flat thereafter. This means that Sierra Leone Brewery has been able to reduce its turnover days by 75% percent.

### Receivable period of Sierra Leone Brewery Limited

This measures the period in days on average that Sierra Leone Brewery Limited takes to collect cash from debtors. Figure 3 below shows the average receivable period of the company.

The Figure 3 above shows that Sierra Leone Brewery Limited improves on debt collection during the period, even though the change is not too huge. The fall of 175 days to 69 days from 2012 to 2015, despite the sluggish from 167 days to 168 days from 2013 to 2014.

### Payable period of Sierra Leone Brewery Limited

This measures the number of days that Sierra Leone Brewery takes to pay its creditors. The graph below shows the change in average payable period from 2012 to 2015.

Figure 4 above shows a decline in payable period. Unlike receivable periods which should be lower, payable periods on the other hand must be higher for the company to be in a between cash position. It must be noted that the earlier Sierra Leone Brewery Limited pays its creditors, the quicker

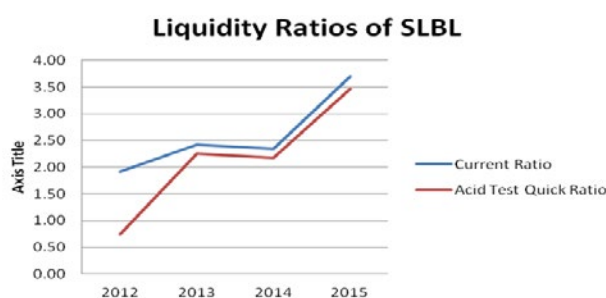


Figure 1. The change in both current and acid test ratios.

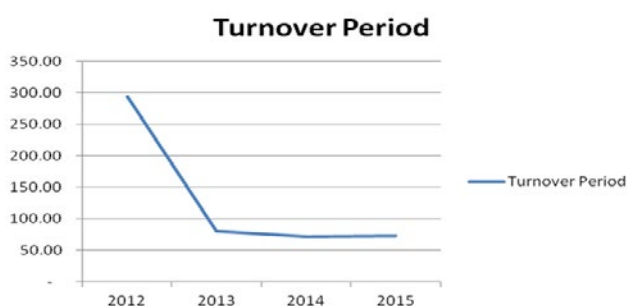


Figure 2. A sharp fall in turnover period.

### Average Receivable Period

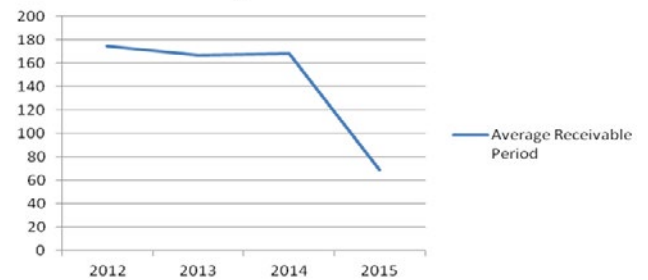


Figure 3. Sierra Leone Brewery Limited improves on debt collection.

### Average Payable Period

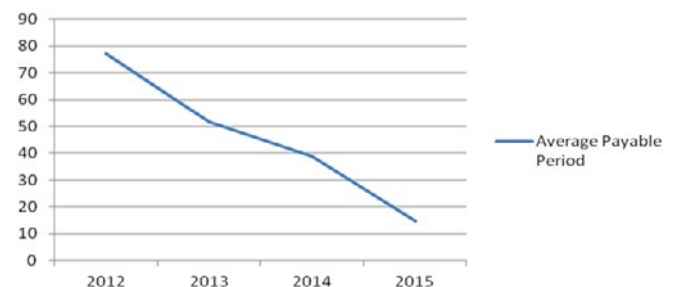


Figure 4. A decline in payable period.

### Working Capital Cycle

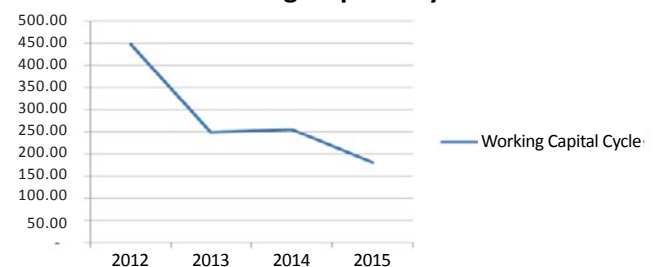


Figure 5. Working capital cycle of Sierra Leone Brewery Limited.

it parts with cash.

The graph shows that payable period drops from 77 days in 2012 to 15 days in 2015. This will negatively relate with the working capital cycle of Sierra Leone Brewery Limited.

### The working capital cycle of Sierra Leone Brewery Limited

The measures the rate at which management of Sierra Leone Brewery is able to start and complete one investment cycle, meaning their investment to convert investment to cash again. The graph below shows the working capital cycle of Sierra Leone Brewery Limited.

Figure 5 above shows a decline in the working capital cycle decline from 447 days to 182 days from 2012 to 2015. This 59% decline shows a very strong commitment on the part of Sierra Leone Brewery in the management of working capital.

## Conclusion

The study has shown that Sierra Leone Brewery Limited has a very strong working capital management system, where employees are committed to the process of budgetary control. It was also noted that some middle level and junior staff are not too involved in the working capital planning. The liquidity situation of the company is getting better. The working capital cycle

is declining on the average, which shows a positive step of Sierra Leone Brewery Limited in the process of resource management.

## Recommendations

Base on the results presented, the following have been recommended for Sierra Leone Brewery Limited.

- The company should involve middle level management in the working capital planning of the company.
- Sierra Leone Brewery Limited should negotiate with creditors to extend the payable period with the intention to improve its working capital cycle.
- The receivable period is longer than the payable period, meaning the company is required to pay its creditors before it can receive cash from its debtors. This is a sign of overtrading. Sierra Leone Brewery Limited should negotiate to reduce the receivable period. This can be done by giving cash discounts to debtors.

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