ST. MARY’S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF CASH MANAGEMENT
IN ST. MARY’S UNIVERSITY

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Acknowledgement

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Abstract

The study was aimed to assess cash management practice in commercial bank of Ethiopia. The main objective of the study was to assess cash management practice, in order to performance of commercial bank and to evaluate cash management strategies, to identify techniques of cash management and to identify whether daily cash operation is in accordance with cash management theory. The researcher used a type of descriptive research by using both primary and secondary data. The data collected from interview and questioner with department of cash management commercial bank of Ethiopia. To concludes cash management activates of Ethiopia was functioning well. finally the study concludes that commercial bank of Ethiopia have been evaluate cash management strategy of commercial bank, amount of cash collected and operation in accordance with cash management good.
CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Cash is one of the most important assets in business enterprises, because it helps them as medium of exchanging or means of acquiring goods and services. Cash includes currency a coin, personnel checks, bank drafts, money orders, credit card, sales drafts and cashers checks as well as money on deposit with banks. Since cash is liquid asset it needs appropriate management to the organization financial position. In addition careful security of cash transaction is required because cash may be readily misappropriated.

In order to relieve financial constraints on investment financial intermediaries are expected to play a decisive role in bringing about different way of raising the required level of funds through the application of proper financial management system. Therefore, financial manager has the responsibility of deciding the credit terms guaranteed to customers. The cash account includes only those items immediately available to pay obligations. Cash includes balance on deposit with in financial institution. Coins and currency, petty cash and certain negotiable instruments accepted by financial institutions for immediate deposit and with draw the negotiable document includes ordinary checks cashier’s checks, certified checks and money order (Thomas, et al 2001: 316).

How much cash the bank should carry the specific types of securities to issue and how much of the firms earnings to retain and to pay out dividends? To manage the cash flow, the financial manager must make certain that the investment in cash is efficiently used. In order to minimize cash “leaks” the financial manager should established some sort of central system over in coming cash. If the receipt of such funds can be broken up
in to two or three steps and responsibility for each assigned to different employee’s the ability to embezzle is greater reduce (Ballad, 2002: 212)

So, cash management serve as the means to keep the functioning by making the best use of cash or liquid resources of a bank. Therefore, is very much interested in establishing procedures for increasing the efficiency of the cash management. It increases cash availability, which improves customer’s services and increase revenue by investing idle cash and interest charged on loan services. (Thomas, et al 2001: 316)

1.2. Statement of the Problem

Cash was blood life of the organization and also very vital component which had the power of a country. It needs to establish a control mechanism which enables private, government organization and the country as a hole to monitor and regulate the economy of a country in general. In most developing countries had various identifiable risks such as misuse, fraud, cash shortage, and unstable economy. To reduced the above problem all employees were subject to close supervision. The bank statements were reconciled department after they were received from cashiers office. Cash was highly sensitive for theft, fraud and loose. Therefore this study was tried to investigate and assess of failure of cash collection and disbursement procedures, weakness and other problem related to cash management of commercial bank of Ethiopia. The researchers were tried to address problem identify there impact on the cash management department employees on the awareness of the cash management and to helps to the cash management system was effective done.
1.3. Research Question

- How CBE evaluate cash management strategies?
- Is there any fraud or misuse of cash?
- Does the CBE use cash management system effectively?
- What are techniques used to manage cash?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the research was to assess cash management practice of Commercial bank of Ethiopia.

1.4.2. Specific Objective

- To evaluate the cash management strategies
- To identify techniques of cash management.
- To assess the minimum and maximum cash blanch maintaining
- To identify source of cash, when cash shortage occurs (liquidity).
- To identify whether daily cash operation is in accordance with cash management theory or not.

1.5. Significance of the Study

It was helpful for administrators of Commercial Bank of Ethiopia to assess their cash management style in which in term it had impact on cash management of the bank, it helps the company to assess its cash management system, to identify problem which face its cash management, it creates awareness to the managers in order to carefully planned cash management flow.
1.6. **Scope of the Study**

The study was tried to investigate cash management practice of Commercial Bank of Ethiopia at the Head Office only due to the constraints mentioned in the limitation part below. The study expected to focus on the manual report which presented to head office of the bank and also use the data of four consecutive years (2009-2012).

1.7. **Research Design and Methodology**

Research design was descriptive type to assess cash management of commercial bank of Ethiopia many sources of this researches were primary data and secondary data conducted. The selected research method employed for this particular study was descriptive method.

1.7.1. **Data Type and Sources**

In the engagement of the research, both primary and secondary data were used. The primary data was collected by interview and questioner. Secondary data on the other hand, was collected from various sources: which include weekly, quarterly and annual reports to head office of the bank. Manuals and books, which are available in library and in the organization, were also used as secondary data source.

1.7.2. **Population and Sampling Techniques**

The population for this study was defined as twelve officers in the cash management department of the selected to commercial bank. The interview and questioner were prepared and conducted with manager and assistant manager of the bank, who had an idea about cash budget (liquidity planning) and investment decisions as well as daily cash operation of the bank and personnel department which information about background, objectives and major activities of the bank was gathered.
1.7.3. **Methods of Data Collection**

The collected data were present using statement type of presentation and descriptive method of data analysis technique were applied in this study. Aim of discipline was to summarize asset of data. This type of information is extremely helpful to investors who wish to make most form their investments and the results was presented in tables and percentage.

1.8. **The Limitation of the Study**

In conducting this study the researchers experienced some limitation. Lack of researching experience, in sufficient sample size and lack of efficiency data and documents concerning the working management book.

1.9. **Organization of the Study**

The study comprised four chapters. The first chapter covers the background of the study, statement the problem, objective of the study, researcher design and methodology, significance, scope and limitation of the study. The second chapter presents a review of the related literatures. The third chapter discuss about finding and analysis of the data. The last chapter four presents summary, conclusion and discusses the recommendations draw from findings of the data and literature review.
CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. What is Cash?
Cash is the important current asset for the operations of the business cash is the basic input needed to keep in the business running on continuous bases it is also defined as ultimate output expected to be realized by saving the service or product manufactured by the firm The firm should keep sufficient cash Neither more nor less. (Pan Day, 2005: 640)

Cash is ready in the bank or in the business. It is not inventory, not accounts receivable and it is not property. These might be converted to cash at some point in time, but it takes cash on hand or in the bank to pay supplies to pay the rent and to meet the payroll. (Pan Day, 2005: 640)

Cash shortage will disrupt firms manufacturing operations while excessive cash will simply remain ideal without contributing anything towards the firm’s profitability. Thus a major function of financial manger is Maintain a sound cash position. Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, Currency and checks held by the firm and balances in its bank accounts. Sometimes near cash items, Such as marketable securities or bank time deposits, are also included in cash. The basic characteristics of near cash asset is that it can ready be concerted in to cash (Pan Day, 2005: 640)

2.2. Cash Management
Definitions of cash management: - Money is an account balance. Banks do not maintain cash on hand equal to the amount of many deposited. Rather they kept deposited in the cash. The amount required varies from day to day and week to week, management is the process of running banks. It is asset of activities (including planning and decision making, Organizing,
leading and controlling) directed at an organizations with resources (human, financial, Physical and information) with the aim of achieving organizations goals in and efficient and effective manner. The last phrase in our definition is especially important because it high lights the basis purpose of management to ensure that as organizations goals are achieved an efficient and effective manner. We mean using resources wisely and a cost effective may be effective we mean making the right decisional successfully implicating them (WG if fine, 2006).

Deposits with a trustee for example, a bond sinking fund that is not under the control of management of a business enterprise should not be included in cash. An other example many airlines and companies have millions of dollars in cash deposits do not qualify as current assets because they are not available for payment of current liabilities. Certificate of deposits generally are classified as short-term investments rather than as cash because they are not available for immediate with drawl strictly speaking saving deposits also may not be withdrawal with out prior notice to bank, but banks seldom a force those requirement. Consequently, saving deposits usually area viewed as cash. Patty cash funds and change funds are minor elements of cash under the control of management even through those founds generally are intended to be used for specific purpose. (Mosich, 1989: 294)

In summary, The criteria generally used to define cash are that the item be a medium of exchange be available immediately for the payment of current debts and be free from any contractual restriction that would prevent management of the business enterprise from using the item to pay this creditor (Mosich, 1989: 294) Cash management is keeping enough cash on hand to handle the banks cash business plus the cash reserve activated by the cash policy. Cash on hand plus cash deposited minus cash paid out equal’s net cash on hand. To ensure that the net cash on hand meets the
banks needs, the cash manager must estimate with fair accuracy the amount of cash to be deposited as well as the future cash demand. Cash is ordered from the Federal Reserve and excess cash is returned there. (Mosich, 1989: 294)

The term cash management processes are pre requisites to execute payments, Collect receivables and manage liquidity. Managing the channels of collections payments and accounting information efficiently becomes imperative with growth in the business transaction volumes. This includes enabling greater connectivity to internal corporate system, expanding the scope of cash management services to include “full cycle” processes (i.e. from purchase order to reconciliation) via ecommerce or cash management services targeted at the needs of specific customer segment. (Mosich, 1989: 294)

Cost optimization and value add services are customer demands that necessitate the creation of a mechanism to service the various customer groups.

Effective cash management is one of the basic pillars of sound public financial management the essence of effective cash management is conservation of cash. This includes minimizing idle cash balances by:

A. Keeping on the governments account only the working cash balances needed to face day to day routine expenditures and the cash needed to face immediate financial obligations.

B. Investing the remaining cash on liquid and interest earning financial assets.


2.3. Cash Management Techniques

Cash management has changed significantly over the last twenty years for two reasons. First from the early 1970 to the mid 1980. There as an upward trend in interest rates that increased the opportunity cost of holding cash. This encouraged financial manager to search for more efficient way of managing cash. Second, technological developments, particularly, computerized electronic funds transfer mechanisms. Changed the way cash in managed most cash management activities are performed jointly by the firm and its banks. Effective cash management encompasses proper management of cash inflows and outflows which includes:

- Synchronizing cash flows
- Using floats
- Accelerating collection
- Getting available funds to where they are needed and controlling disbursements

Most businesses are conducted by large firms many of which operate regionally, nationally or even globally. They collect cash from many sources and make payments from a number of different cities or even countries. For example, compares such as IBM (International Business Monitoring). General motors and Hewlett-Packard have manufacturing plants all around the world even more sales office and bank accounts in virtually every city where they do business. Their collection points follow sale patterns. Some disbursements are made from local offices. But most are made in the city’s where manufacturing occurs or else from the home office. Thus a major corporation might have hundreds or even thousands of bank accounts and since there is no reason to think that in flows and outflows will balance in each account. A system must be in place to transfer funds from where they come in to where they are needed to arrange loans
to cover net corporate. Short falls and to invest net corporate surpluses without delay. *(Brigham and Hostelry 2004: 581)*

**2.3.1. Cash Flow Synchronization**

Permitting a firm to hold low transaction balance you as an individual were to receive income once a year. You would probably put it in the bank. Draw down your account periodically received in come monthly instead of once a year, you would operate similarly, but know your average balance would be smaller. *(Brigham and Houston, 2004: 581)*

If you could arrange to receive income daily and to pay rent tuition, and other charges on a daily bases, and if you were confident of your forecasted inflows and out flows, then you could hold a very small average cash balance. *(Brigham Houston, 2004: 581)*

Exactly the same situation holds for business by improving their forecasts and by arranging thing. So that, cash receipts coincide with cash requirements firms can reduce their transaction balance to a minimum. Recognizing all this utility companies. All companies credit card companies and soon arrange to bill customers and to pay their own bills, on regular “billing cycles” throughout month. This synchronization of cash flows provides cash when it is needed and thus enables firms to reduced cash balances decrease bank loans. Lower interest and expense and boost Profit *(Brigham and Houston, 2004: 581)*

**2.3.2. Using Float**

Float is defined as the difference between the balance shown in a firm is (or individuals) check book and the balances on the bank’s records. Disbursement float is the value of the checks that we have written, but that is still being processed and thus has not been dedicated from our account balance by the bank.
Collection float is the amount of checks that we have received but that, have not yet been credited to our account. Net float show the differences between out check book balance and the balance shown on the banks book. Delay that because float arises because it takes time for checks to

- Travel through the mail (mail float)
- Be processed by the receiving firm (processing float)
- Clear through the banking system (clearing, or availability, float)
- Basically, the received and to slow down collection on checks is written. Efficient firm go to great length to speed up the processing of income checks, thus putting the funds to work faster, and they try to stitch their own payments out as long as possible. *(Brigham and Houston, 2001: 582)*

### 2.3.3. Acceleration of Receipts

Financial mangers have searched for ways to collect receivables faster since credit transactions being. Although cash collection is the financial manger’s responsibility the speeds with which checks are cleared depend on the banking system, several techniques are now used both to speed collections and to get funds where they are seeded *(Brigham and Houston 2004: 583)*.

### 2.3.4. Lock Boxes

Lock box plan is a procedure included to speed up collections and reduce float through the use of post office boxes in payers local areas A lock box plan is one of the oldest cash management tools in a lock box system incoming check sale sent to post office boxes rather than to corporate head quarters several times a day a local bank will collect the contents of the lock box and deposits the checks in the company’s local account. *(Brigham and Houston, 2004)*
The bank them provides the firm with daily record of the receipts collected usually via an electronic data transmission system in a format that permits on line updating of the firm’s account receivable records. (Brigham and Houston, 2004)

A lock box system reduces the time required for a firm to receive incoming checks to deposit them and to get them cleared through the banking system so the funds are available by two to five days over the regular system. (Brigham and Houston, 2004: 583).

2.4. Reasons for Holding Cash

Johan Maynard Keynes in his great work the general theory of employment interest and money identified three motives for liquidity:-

- Speculative motive
- Precautionary motive
- Transaction motive

2.4.1. Speculative Motive

Speculative motive need to hold cash to take advantages of additional investment opportunities such as bargain purchased for most firm, Reserve borrowing ability and marketable securities can be used to satisfy speculative motives. Thus there might be a speculative motive for maintaining liquidity but not necessary for holding cash parse (Ross, 2000: 586)

2.4.2. Precautionary Motive

The need to hold cash to safety margin is to act as a financial reserve. It also need for a safety supply to acts as financial reserve. Once again there probably is a precautionary motive for maintaining liquidity. However, given that the value of money market instrument is relatively certain and that instruments such as t-bill are extremely liquid: there is no real need
to hold substantial amounts of cash for precautionary purposes. (Ross, 2000: 587)

2.4.3. Transaction Motive

The need to hold cash to satisfy normal disbursement and collection activities associated with a firm’s ongoing operations. Cash also need to have cash on hand to pay bills. Transaction related needs come from the normal disbursement and collection activities of the firm.

The disbursement of cash includes the payment of wages and salaries, trade bets, taxes and dividends. Cash is collected from product sales the selling of assets and financing. The cash inflow (collection) and outflows (disbursement) are perfectly synchronized and some level of cash holdings in necessary to serve as a batter. As electronic fund transfers, and high speed “paperless” payment mechanisms continual to develop: even transactional demand for cash may all but disappears Even if it does however there will still be a demand for liquidity to mange it effectively. (Ross, 2000: 587)

2.4.4. Compensation Balance

Compensating balances are an other reasons to held cash. This means cash balance are kept at commercial banks to compensate for banking services the firm receives .A minimum compensating balance requirement may impose a lower limit on the level of cash a firm holds. (Ross, 2000: 567)

2.5. The Basic Objective of Cash Management

The basic objectives of cash management is to keep the investment is cash as low as possible while sun keeping the firm operating efficiently and effectively. This goal usually reduces to the dictum “Collect early a pay late
“According. We discussed ways of accelerating collections and managing disbursement.

In addition firms must inverts temporary idle cash in the short term marketable securities can be bought and sold in financial markets. As a group, they have very little difficult risk and most are highly marketable. There are different types of these so called many market securities. *(Ross, 2000: 586)*

**2.6. Facts of Cash Management**

Cash management is concerned with the managing of
i. Is cash flows and out of the firm
ii. Cash flows within the firm, and cash balances held by the firm at a point of time by financing deficit or in Financing deficit or investing surplus cash. It can be represented by cycle.

Sales generate cash which has been to be disbursed out. The surplus has to be barrowed cash management seeks to achieve liquidity and control. Cash management assumes more important than other current asset because cash is the most significant and least productive asset that affirm held’s. It is significant because it is used to pay the firms obligations. However, cash is a productive Unlike fixed assets or inventories. It does not produce goods for sale. Therefore, the aim of cash management is to maintain adequate control over cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way.

Cash management is also important because it is difficult to predict cash flows accurately particularly the cash inflows because payments for taxes. Dividends or seasonal inventory buildup. Another time, cash inflow will be more than cash payments because they may be realized in large sums prompt. Furthermore, cash management’s considerable time is devoted in managing it. In recent past, a numbers of innovation has been done in
cash management techniques. An obvious aim of the firm this day is to manage its cash affairs in such a ways as to keep cash balance at the minimum level and to invest the surplus cash in profitable investment opportunities. (Pan Day, 2005: 641)

2.6.1. Cash Planning

Cash flows are in separable parts of the business operations of firms. A firm needs cash to invest in inventory receivable and fixed assets and to make payment for operating expenses in order to maintain growth in sales and earnings. It is possible that firm may be making adequate profits but many suffer from the shortage of cash as its grow tin needs may be consuming cash very fast. This cash poor position of the ... can be corrected if its cash needed are planned in advance at time a firm can have excess cash out flows. Such excess cash may remain idle. Again, such excess cash flows can be anticipated and properly invested if cash planning is resorted to. Thus, Cash planning can help to anticipated the future Cash flows and needs of the firm and reduces the possibility of idle cash balances (which lower firms profitability) and cash deficits (Which can cause the firms failure). (Pan day, 1999)

Cash planning is a technique to plan control the use of cash. It protects the financial condition of the firm by developing a projected cash statement form a fore cast of expected cash inflows and outflows for a given period. The forecasts may be based on the present operations or the anticipated future operations. Cash plans are Very crucial in developing the overall operating planes of the firm. (Pan day, 1999)

Cash planning may be done on daily, Weekly or monthly basis. The period and frequency of cash planning generally depends up on the size of the firm and philosophy of the management large firm prepares daily and weekly forecasts. (Pan day, 1999)
Medium size firms usually prepare weekly and monthly forecasts. Small firms may not prepare formal cash forecasts because of the non availability of information and small scale operation. But if the small firms prepare cash project. It is done on monthly basis. As a firm grows and business operations becomes complex. Cash planning becomes inevitable for it continuing success. (Pan Day, 1999)

2.6.2. Investment of Idle Cash

To achieve efficient use of all resources management of a business enterprise frequently turns Un Productive cash balance in to productive resources through the acquisition of short term investments in some cases an enterprises may flow a policy of owing investments that may be converted to cash as needed short term investment acquired for the purpose of earn in a return on excesses cash resources are characterized by their salability at a readily determine price. Stocks and bonds not widely owned or frequently traded usually to meet the marketability test, consequently, Securities of these types are considered for further investment in securities of other business is also a means to influence the short term investment. (Mossich, 1989: 306)

The surplus cash balance should be properly invested to earn profits. The firm should decide about the decision of such cash balance between annotative short term investment opportunities such as bank deposits marketable securities, or inter corporate lending. (Pan day, 2005)

The idle cash management system will depend on the firm products organization structure competition culture and options available. The task is complex and decision taken can affect important areas of the firm. For example to improve collections if the credit period is reduced. (Pan day, 2005)
May affect sales. However, in certain cases, even without fundamental changes, it is possible to significantly rebuke cost of cash management system by choosing the right bank and controlling the collections properly (Pan day, 2005: 641).

2.6.3. Managing the Cash Flows

The flow of cash should be properly managed. The cash inflows should be accelerated while. As for as possible the cash outflows should be declared. (Pan day, 2005: 641)

2.6.4. Optimum Cash level

The firm should decide about the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be marched to determine the optimum level of cash balances. (Pan day, 2005: 641)

2.7. Cash Budgeting and Forecasting

2.7.1. Cash Budget

In the most significant device to plan for and control cash receipts and payments. A cash budget is a summary statement of the firm’s expected cash inflow and outflow over a projected time period. It gives information on the timing and magnitude of expected cash flows and cash balances over the projected period. This information help the financial manager to determine the future cash needs of the firm plan for the financing of these needs and exercise control over the cash and liquidity of the firm.

The time horizon of cash budget many different from firm to firm. A firm whose business is affected by seasonal variation may prepare monthly cash budgets. Daily or weekly cash budgets should be prepared for determining cash requirements of cash flows show extreme fluctuation cash budgets for a longer intervals may be prepared if cash flows are relatively stable. (Pan Day 2005: 642)
2.7.2. Cash Forecasts

Cash forecasts are needed to prepare cash budget. Cash forecasting may be done on short or long term basis. Generally forecasts covering periods of one year or less than considered short .... Those extending beyond one year considered long term.

It is comparatively easy to make short term forecasts. The important functions of carefully developed short term cash forecast’s are:

- To determine operating cash requirements
- To anticipate short term financing
- To manage investment of surplus cash

The short term forecast helps in determining the cash requirements for a predetermined period to run a business, if the cash requirements are not determined, it would not be possible for the management to know much cash balance is to be kept in hand to what extent bank financing be depended upon and whether surplus funds would be available to invest in marketable securities to know the operating cash requirements, cash flow projection have to be made by a firm. (Pan day, 2005)

One of significance tools of the short term forecasts is to pinpoint when the many will be needed and when it can be prepaid with such forecasts in hand it will not be difficult for the financial manger to negotiate short term fireman coming arrangement with banks. This in fact convinces bankers about the ability for the management to run its business. (Pan day, 2005)

The third function of short term cash forecasts is to help in managing the investment of surplus cash in marketable securities carefully and skillfully designed cash forecast helps a firm to: (Pan day, 2005)

- Select securities with appropriate maturities and reasonable risks
- Avoid over and under investing and
- Minimize profits by investing idle money.

Short-run cash forecasts serve money other purposes. For example, Multidivisional firms use them as a tool to coordinate the flow of funds between their various divisions as well as to make financing arrangements for those operations. These forecasts may also be used full in determining the margins or minimum balances to be maintained with banks. (*Pan day*, 2005: 642)

### 2.8. Short Term Cash Casting Methods

The most commonly used methods of short term cash forecasting are:

- The receipt and disbursement method
- The adjusted net income method

The receipt and disbursements method is generally employed to forecast to limited periods such as a week or a month.

The adjusted net income method, on the other hand, is preferred for longer durations ranging between a few months to a year. Both methods have their pros and cons. The cash flow can be compared with budgeted income and expense items if the receipt and disbursements approach in showing a company’s appropriate working capital and future financing needs. (*Pan day*, 2005)

#### 2.8.1. Receipts and Disbursement Method

Cash flows in and out in most companies are on a continuous bases. The prime aim receipts and disbursements forecast are to summarize these flows during a predetermined period. In case of this companies where each item of income and expense involves flow of cash, this method favored to keep a close control over cash. (*Pan day*, 2005)
Three broad sources of cash inflows can be
i. operating
ii. None operating and
iii. Financial

Cash sales and collections obtained from customers and from the most important parts of the operating inflows. Developing a sales forecast in the first step in preparing cash forecast All pre continues should be taken to forecast sales as quarterly as possible. In case of cash sales cash is received at the time of sale On the other hand, cash is realized after some time if sale is on credit.

The time in releasing cash on credit sales depends on the firms credit policy reflected in the average collection period. \textit{(Pan Day, 643)}

It can easy be noted that cash receipt from sales will be affected by change in sales value and the firms credit policy. To develop realistic cash budget though changes, it should be accounted for. If the demand for the firm products slackness, sales will fail and the average collection period is likely to be longer which increases the change of bad debt. In preparing cash budget account should be taken to sales discounts, returns and allowances and bad debt as they reduce the amount of cash collection from debts. Non operating cash inflows include sales of old assets and dividends and interest income. The magnitude of those items is generally small when internally generated cash flows and not sufficient. The firm resorts to external financial sources preparation for a cash budget is the estimated of cash out flows.

Cash out flows include : I operating out flows such as cash purchases payments of payables, advance to surpluses wages and salaries and other operating expenses, ii capital expenditure iii, contractual payments, such as repayment of loan and interest and tax payments, and iv, Discretionary
payments, such as ordinary and preference dividend. In case of credit purchases a time log will exist for cash payments. This will depend on the credit terms offered by suppliers.

It is relatively easy to predict the expense of the firm over short run. Firms usually prepare capital expenditure budget there fore capital expenditure are predictable for the purpose of budget.

Similarly, payments of dividend do not fluctuate widely and are paid on specific dates. Cash out flow can also occurs when the fin repays its long term debt Such payments are generally planned and there fore there is no difficult predicting them.

One of the significant advantages of cash budget is to determine the net cash inflow or out flow so that the firm is enabled to arrange financed However, the firms decision for appropriate sources of financing should depend up on factors such as cost and risk.

Cash budget helps a firm to mange its cash position. It also helps utilize ideal funds in better ways On the basis of cash budget the firm can decided to invest surplus. Cash in marketable security and earn profits.

The virtues of the receipt and payment methods are:-

- It gives a complete picture of all the item of expected cash flows
- It is a sound tools of managing daily cash operations
- Its reliability is reduced because of uncertainty of cash for casts. For example collection may be delayed, or an anticipated demand may cause large disbursement
- It fills to high light the significant movements in the working capital. (*Pan Day, 2005: 645*)
2.8.2. Adjusted Net Income Method

This method of cash forecasting is tracing of working capital flows. It is sometimes called the sources and uses approach to objective of the adjusted net income approach are:

1) To project the companies need for the cash at a future data and ii. To show whether the company can generate the required funds internally, and if not, how much will have to be borrowed or raised in the capital market.

As regards the firm and content of the adjusted net income forecast it resembles the cash flow statement. It is, in fact a projected cash flow statement based on Performa financial statements. It generally has three sections: sources of cash and the adjusted cash balance. This procedure helps in adjusting estimated earning on UN accrual basis to a cash basis. It also helps in anticipating the working capital movement. (Pan day, 2005)

Preparing the adjusted net income forecasts items such as net income, depreciation, taxes, dividends, etc. Can easily be determined from the company’s annual operating budget. Normally difficulty is faced in estimating working capital changes, specially the estimate of accounts receivable (Debtors) and inventory pose problem, because they are influenced by factors such as fluctuations in the raw material costs, changing demand for the company’s product and possible delays in collections and error in predicting these items can make the reliability of forecast doubt fill. One popularly used method of projecting working capital is the use rations relating accounts receivable and inventory to sales. (Pan day, 2005)

For example, if the past experience tells that accounts receivable of a company range between 32% (thirty two percent) can be use. The difference between projected figure and that on the books will indicate the expected increase or decrease in the case attributable to receivable. (Pan day, 2005)
The benefits of the adjusted net income methods are:

- It highlights the movements in the working capital items and thus helps to keep a control on a firm's working capital times.
- It helps in anticipating firms financial requirements
- It fails to trace cash flows and therefore, it is utility in controlling daily cash operation is limited. (*Pan Day 2005: 646*)

### 2.9. Long Term Cash Forecasting

Long term forecasts are prepared to give an idea of the company's financial requirements in the distant future. They are not as detailed as the short term forecasts are. Once a company has developed long term cash forecast, it can be used to evaluate the impact of say new product developments or plant acquisitions on the firm's financial condition three five or more years in the future. The major uses of the long term cash forecast are:

- It indicates a company's future financial needs especially for its working capital requirements
- It helps to evaluate proposed capital projects; it pinpoints the cash required to finance these projects as well as the cash to be generated by the company to support them.
- It helps to improve corporate planning; long term cash forecasts compare cash division to plan for future and to form ware projects carefully.

Long term cash forecasts may be made of two, three or five years. As with the short term forecasts, companies practices may differ in the duration of long term forecasts to suit their particular needs.

The short term for casting i.e. the receipts and disbursement method and the adjust net income method can also be used in long term cash forecasting. Long term for casting reflected the impact of growth, expansion or acquisition; it also indicates financial problems arising from this developments. (*Pan Day, 2005: 645*)
2.10. Empirical Literature Review

Anchalem Ayalew, Foziya Jabir and Liya Abiyu were worked a researcher paper in 2013 on the title of “assessment of cash management in Niyal Insurance Share company.

The object of the paper was to assess the short term and long term insurance police and procedures to identify the problem that the insurance company fails during managing cash premium and Clint benefit. Based on the objectives of researcher to conclude the insurance company had no problem in fulfillment the minimum requirement and the cash asset had been increasing over year.

Biruk Abebe, Tewodros Girma, Yirga Melesachaw, Kidist Tsegaye and Eferem Ermiyas were worked a researcher paper in 2007 on the title of assessment of cash management a case study Niyal Insurance Share Company.

The object of the paper was to identify strength and weakness of Nile Insurance Company cash budget preparation process provide summary of ledger finding and forward recommendation.

Conclude that paper line insurance company prepare cash budget for improving the efficient and effective utilization of cash and had well development planning and budgeting service department which prepare the overall plans and budget for the company.

Alefayne Wudajo and Yohans Fiseha were worked a researcher paper in 2009 an assessment internal control over cash.

The object of these paper was asset the control environment and monitoring system of the firm discover the risk detection practices of the organization evaluate the control activity of the firm. To conclude the researcher were only maintain and explain the weakness side of the company.
CHAPTER THREE
3. DATA ANALYSIS AND INTERPRITATION

3.1 Characteristics of the Study Population

This section deals with data presentation, analysis and interpretation of gathered data through quaternaries and interview.

The questioner were designed to specifically obtain relevant information on general cash management where interview has been conducted with manager of operation department and the company manager in order to assess the overall cash management.

According to the following data in item 1 of table the present sex distribution of respondents, and out of the total respondents 9(75%) are male and 3(25%) are female. This indicate that male employees number are greater than female.
### 3.2. Data Presentation Analysis of Questionnaire

**Table 1: General Profile of the Respondents**

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>No. of respondents</th>
<th>Percent %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Male</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>B. Female</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>2</td>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. 25 years or below</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>B. 26-30 year</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>C. 36-45</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>D. 45 year or above</td>
<td>4</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>3</td>
<td>Educational qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Diploma</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>B. Degree</td>
<td>8</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>C. 2nd Degree</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>4</td>
<td>Work experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below 5</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>5-10</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>11-15</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Above 15</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)
Item 2, it can be simply understand that 2(8%) of the respondents are between the age of 26-30 year 3(25%) of the respondents are between the age of 36-45 the rest of respondents 5(42%) are the age of 45 or above. Shows that majority of the respondents are young and at the age of productivity. It enables the organization to refer as the performance of work force as well as the productivity of the organization.

As per education level of the organization employee is concerned 8(66%) of the respondent have degree while, 4(34%) of the respondents have second degree. This can be an indication that the majority number of the organizations work for this qualified.

As can be seen from item 4 table 1, 2(16%) of the respondents have below 5 year of work experience, 2(16%) of the respondents have 5-10 years of the work experiences 4(34%) of the respondents have 11-15 years of work experience, 4(34%) of the respondent also have above 15 years well experienced. This implies that experience help the employees to manage cash effective.

**Table 2 The Relationship Between Management and Subordinate in the Bank**

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think there is a good working relationship between management and subordinates in the bank?</td>
<td>Frequency</td>
<td>Percent (%)</td>
</tr>
<tr>
<td>Strong agree</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Moderately agree</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Agree</td>
<td>6</td>
<td>50</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data)
From the above table 2, it can be seen that 25% of the respondent said that, they moderately agree with the good working relationship between management and subordinates in the bank and 20% of the respondents said that, they agree with the a good working relationship between management and subordinates in your bank while 2% of them strongly agree with the good working relationship between management and subordinates in your bank.

**Table 3: Evaluation and Discussion to Revise the Cash Management System**

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there continues evaluation and discussion to revise the cash management system?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>10</td>
<td>83</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data)

The data shows, 83% of respondents replied that, Yes evaluation and discussion to revise the cash management system in the organization and 17% of respondents that, no continues evaluation and discussion to revise the cash management system this implies that most of the respondent believes that the cash management system involves on the evaluation and discussion to revise the cash management. This implies the majority portion of the response are good evaluation and discussion to revise the cash management system.
Table 4: Amount of Cash Collected is Deposited in the Bank

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the amount of cash collected is deposited in the bank on the same day?</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Primary data)

The table shows that, 75% of the respondents replied that, the amount of cash collected is deposited in the bank on the same day but 25% of the respondents are the amount of cash collected are not deposited in the bank. The above percentage show that amount of cash collection deposited in the commercial bank of Ethiopia is well.

Table 5: Evaluate Cash Management Strategy

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you evaluate cash management strategy of Commercial Bank of Ethiopia?</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>Excellent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>average</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

Table 5 above indicates that 67% of the respondent replies that, the evaluation of cash management strategy of commercial bank of Ethiopia is good and 33% of the respondents replies that, evaluation of cash management strategy of commercial bank of Ethiopia is excellent. The
above percentage show that the evaluation of cash management strategy of commercial bank of Ethiopia is good.

**Table 6: Implementation of Cash Management System**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do you define the implementation of cash management system of Commercial bank of Ethiopia?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Good</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>average</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

Table 6 above indicate that 67% of the respondent replies that, it response are good implementation of cash management system of commercial bank of Ethiopia while, 25% of the respondent replies that, it response are excellent implementations of cash management system of commercial bank of Ethiopia and 8% of the respondent replies that it response are average the in total respondents. Accordance the respondent’s response to majority proportion of the responses is good implementation of cash management system.

**Table 7: Review the Cash Management System**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>How management concern to review the cash management system?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>excellent</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>good</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>average</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)
Table 7 above indicates that 75% of the respondent says excellent while, 25% of the respondents says good management concern to review the cash management system, according the respondents response majority proportions of the response are management concern to review the cash management system this implies that the cash management department was good management system.

**Table 8: The Process of Checking the Bill and Amount of Cash Collected**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there cash management officer involved on the process of checking the bill and amount cash collected?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>10</td>
<td>83</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data)

From the above table 8, 10 (83%) of the respondents response that yes the cash management officer involved on the process of checking the bill and amount of cash collected. but, 2 (17%) of respondent is say no the cash management officer involved on the process of checking the bill and amount of cash collected. this implies that most of the respondent believes that the cash management officer involved on the process of checking the bill and amount of cash collected according the respondents response to majority proper than after response are cash management officer involved on the process of checking the bill and amount of cash collected this implies that the cash management department was good process of checking the bill and amount of cash collected.
**Table 9: Minimum and Maximum Cash Balance Maintaining**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there minimum and maximum cash balance maintaining?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

Table 9 above indicate 8(67%) of the respondent that the response maintains because cash management set cash holding limit for the branch only maximum balance and also 4(35%) of the respondent that it response says yes according the respondents’ response to majority proportion of the response and minimum and maximum long balance maintaining.

**Table 10: Provide Training Program to its Employees**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the management provide training program to its employees?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>Good</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Average</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

As it is shown the above table 9(75%) of the respondent replies that the response are the management provide excellent training program to the employees while 3(25%) of the respondent that the management provide good training program to the employees.
From the above presentation majority proportion of the response are excellent management provide training program to the employees.

**Table 11: Cash Operation in Accordance With Cash Management**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is their cash operation in accordance with cash management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

From the above table 11, 8(67%) of the respondents yes cash operation accordance with cash management and 4 (33%) of respondents says no the cash operation in accordance with cash management. this implies that cash operation accordance with cash management system is good.

**Table 12: Existence Any Fraud or Misuse of Cash**

<table>
<thead>
<tr>
<th>Item</th>
<th>Response</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there any fraud or misuse of cash?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Primary data, questionnaire)

As presented in table 12 shows that, 67% respondents said no any existence fraud and misuse of cash in their organization and the rest 33% of the respondents said that, there is existence fraud and misuse.
3.3. Analysis of Interview

3.3.1. Management Information System

Commercial Bank of Ethiopia has several financial commitments: some of these are depositors withdrawals finance running, expense of business transaction and maintaining reserve and liquidity equipments set by the national bank of Ethiopia.

Therefore, cash management involves meeting of these financial commitments at a required quality and currencies when they occur at a minimum cost.

According to the in rearview made with assistant manager of the bank, there is a well organized management information system within the bank where the liquidity (cash position) at the branch level is compiled and regularly reported to head office and to others appropriately.

The system is set list such a way that all concerned organizing weekly basis and sends to home office where they are revealed these reports. In order to check that they are prepared and reported in accordance with the banks, policies and procedures to the requirement of supervising authority. The reports also send to the end users, which are managed through the application of appropriate technology. With the use of appropriate technology, the liquidity (cash position) of the bank can be measured.

Monitored and controlled at a greater efficiency integrated management information systems help the banks to get more information about their customer used on the information prepared by the central bank about the customer that unable to pay the amount they borrowed from different bank which help to update the transaction made between the financial institutions.
This information helps the bank not to lend a customer that unable to pay the amount taken from her banks. Integrated information systems also facilitate the customer service to get payment and send the amount to rest of other banks. Integrated information system need by bank to identify check clearing system.

### 3.3.2. Reasons for Holding Cash

According to the interview made with assistant manager of the bank, the bank can hold cash, firstly for transaction purpose that can be needed to pay for labor and to keep their liquidity position by paying a customer amount they deposited; plus interest for those accounts. That generates interest for the customer at maturity date. Secondly, the bank can hold cash to provide loans and services to their customer that will be their future benefit by generating interest or that is considered as compensating balance that a bank must maintain to compensate the bank for services rendered or for the bank can help the bank to increase deposit mobilization by motivating a customer to have a confidence on the bank by assuming their banks liquidity position.

Liquidity planning also help to structure their banks folio to meet the anticipated needs. On the other hand, the bank can protect liquidity position during efficiency period by requesting additional budget from head office, but it is not always successful to overcome these problem in case of huge withdrawal of a cash from the bank. Most of the time, the bank meets its obligation by preparing a report about its liquidity base for head office within 15 days (fifty days) of time. Based on these report the head office was evaluated their liquidity performance. Bank forecast liquidity, which not considers investment of idle cash, over a period of time that, is why commercial bank of Ethiopia can also transferred its idle cash to head office bank. This is a critical problem for the bank not to invest in investment profile.
3.3.3. Daily Cash Operation

Assistant manager, cashier and teller are personally responsible to manage cash with in Commercial Bank of Ethiopia. According to the interview made with the assistant manager of the bank, the primary technique used to manage cash was by establishing volute room to protect cash from danger and theft. It can achieve through dual control over cash by both cashier and assistant manager. In the morning when daily cash operation starts the manager open volute room by entering a code number, after that the amount of cash taken out of set of box and given by manager for cashier by approving and recording the balance on sender book.

In order to make payment, the payment teller takes needed cash from cashier to facilitate daily cash operation through recording the amount of sender book and compute, the transaction made in the day.

According to the interview, the receiving teller that can be involved in an everyday cash operation of the bank, who is responsible to receive many that come from customer who has been borrowed from the bank with principal plus interest charged on the amount. Not only these receiving teller responsible to transfer the amount for cashier by recording the balance on sender book but also other.

3.3.4. Cash Collection

According to the interview made with the assistant manager of the bank the company uses direct sending method from customer to bank. The bank receives cash from the depositor and debtors in the form of cash or check using its own check evidenced.

When cash is send to the company there is a separation of duties to record a transaction made. The teller interest the amount received in to sender
book the deposit vouchers after stamping them with respective stamps bearing the proper data.

In the morning vouchers should be journalized and the compared with the totals submitted by the tellers at all times. The teller who receive a money carefully record denominations of the stamps and initially the deposit voucher, retain the copy and hands over the original to the customer. During cash receipts all notes are sorted out, counted and wrapped with initially of the counter and verify under restrict supervision of the cashier. Not only these cashier and receipt teller to be very careful that no deteriorated notes are mixed with those fight for circulation. During cash collection, first receiving teller collect the amount and record on sender book, after daily cash operation would be finished, the balance of cash collected and recorded on the computer can be checked by the cashier and debts the amount to banks accounts. After all the process is completed, the balance of cash collected by payment and receiving teller prepared and approved by manager of the bank. Then the balance of cash would be taken to volute room. Even if the bank followed to authorize the transaction is well, only direct sending is not sufficient to accelerate cash collection within a short period of time.

3.3.5. Cash Disbursement

According to interview made with the assistant manager of the bank, the aimed to control over cash to reduced fraud and misappropriation. When payment is made by payment teller once again the balance is recorded on both sender book and computer to make the transaction is well authorized and after the amount should be paid and to whom the payment is identified and signature is signed by receiver in case of loan payment; but in case of money transfer payment first the receiver of the amount be fill all the formalities about his name, sender name, after that the teller check all
the formalities with his computer balance and made the payment for customer.

In other case, according to the interview, the banks control over disbursement by satisfying the following formalities:

- The payment is based on depositors arrangement with the bank to withdrawal their cash.
- The number of employees to hold cash is limited.
- The checks payment is made after it is approved by signature of responsible individual.

On the other hand during the payment operation the bank uses instruments for payment, for instance, check vouchers and cash payment order. Before reaching paying teller, the instrument in case of saving withdrawal:

- Voucher is properly made out (filled)
- Voucher is dated and signed
- Signature is verified
- Payee’s name on the voucher match with that of pass-book withdrawal and could be made in person by the account holder unless exception are made when other kind of payment voucher are in valued the paying teller insure that;
- Voucher is properly made out
- The voucher consists of two authorized signature
- The payee is identified
- Amounts in words and figures agree
- The pay has signed on the back of the voucher
- The procedure is approved by the stamp properly.
3.4. Uses of Petty Cash Fund

According to the interview made with assistance manager of the bank, the bank uses petty cash for the payment of relatively small amounts, such as for transportation charges, or for the purchase of urgently needed supplies at a nearby rate; store when the amount of petty cash found is fixed in amount, about (300-500) birr is reduced to the predetermined minimum amount, and the fund is replenished. The amount of petty cash fund is always taken from cashier of the bank by managerial secretary and a stored in the custody. If the requested come from the purchases of the bank the secretary create payment without approval by other concerning body recording the amount on the voucher. The process followed by the bank to pay petty cash found for requested supply by authorizing secretary of the bank to make transaction from the begging to the end many lead to way of theft, when agreement is made between purchaser and secretary to use some amount by them selves.
CHAPTER FOUR

4. SUMMARY, CONCLUSION AND RECOMMENDATION

This study is designed to examine the cash management of commercial bank Ethiopia and also intended to suggest possible solution to the problems identified in order to effective cash management system this chapter, therefore, presents the summary of major findings, conclusions and the possible recommendation.

4.1. Summary of Findings

Questioner was the data collection mechanism conducted for selected respondents the findings are analyzed, interpreted and summarized.

- Our respondents had been given their response on different types of questioner concerning to evaluate the effectiveness of cash management here based on the position of good cash management system implementation used and commercial bank of Ethiopia needs the management support to enhance the effectiveness of cash management of commercial bank. Employees believe that good working relationship between management and subordinates in the bank.
- 83% of the respondents believed that the evaluation and discussion to revise the cash management system.
- 8 or 67% of the response believed that the evaluation cash management strategy of commercial bank of Ethiopia is excellent but 4 or 33% of the respondent is good.
- The implantation of cash management system of commercial banks of Ethiopia is good.
- The cash management officer a good involves on the process of checking the bill and amount of collected
- The management provides training program to its employees is high.
- 8 or 67% of the respondents believed that the cash operation in accordance with cash management is a good.

### 4.2. Conclusion

To conclude this paper, the data which are collected have been analyzed and interpreted within the boundary of its constraint. The main objective of this study is to find out the effect of cash management by making thorough assessment of the cash management of commercial bank of Ethiopia.

In this section, the researchers have tried to demonstrate the cash management but what the researcher have done is to lay the necessary foundation from which will now be able to move on and look at the nature of cash management and the practice of cash management of commercial bank of Ethiopia.

- Cash management of commercial bank is more less application cash management areas such as continuous evaluation to revise the cash management, evaluate cash management strategy of commercial bank, amount of cash collected and cash operation in accordance with cash management good according to the study.

- In order to implementation of cash management system of commercial bank, concern to review the cash management system, process of checking the bill and amount of collected is sufficient.

Cash management activates of the commercial bank of Ethiopia are functioning well the cash is safeguarded well. Segregation of duties are more and less appropriate.
4.3. **Recommendation**

Based on the data findings and conclusion made the have for ward the following recommendation.

- General funding for commercial bank for cash liquidity which not considers investment of idle cash should d be determined by looking at the past trends and changes that have occurred that will impact future forecast.
- Short term training and workshops for personnel engaged in the analysis work should be organized regularly and also avail relevant reading material.
- For cash management purpose minimum and maximum cash balance should be increase cash holding limit for branch
- The management of the bank should established and identify factors that affected the cash management system. As system changes based on the changing technology and environment

Finally the organization should give special attention to all the above suggestion and recommendation to strengthen the cash management receipt and disbursement due to the fact almost all transactions affect cash account and by its very natural cash is the most liquid and tempted to theft miss appropriation and embezzlement the organization has to work on the implementation or cash management receipt and bank principle.
Bibliography


St. Mary’s University  
Department of Accounting  
Questionnaires

This questionnaire is assigned and prepared by the student’s of St. Mary’s University doing a research paper in partial fulfillment of requirement of a Degree in Accounting. With this questionnaire the researchers intend to “ASSESSMENT OF CASH MANAGEMENT OF COMMERCIAL BANK OF ETHIOPIA.

Please answer the questions by marking “x” Either yes on No or write your answer for the opened questions briefly thanking you for your cooperation, are would like to inform you that all your responses will only, be used for academic purpose and be kept confidentially.

How to answer this questionnaire
I. General
• Would you be kind enough to answer and making (✓) mark the box provided
• If you have any personal opinion for a questionnaire, kindly comment on the space provided
• No need to write you name

II. Back ground
1. Personal
   Your approximate age
   25 years or below □ 36-45 years □
   26-30 years □ 45 years or above □
   Your sex
   Female □ Male □

2. Education
Diploma □
Degree □
2nd degree □

3. Work experience
   Below 5 years □  11-15 years □
   5-10 Years □  Above 15 years □

Questionnaire of cash management
1. Do you think there is a good working relationship between management and subordinates in your bank?
   Agree □  Strong agree □
   Moderately agree □  Disagree □

2. How do you define the implementation of cash management system of the commercial bank of Ethiopia?
   Excellent □  Good □  Average □

3. How is management concern to review the cash management system?
   Excellent □  Good □  Average □

4. How does evaluate each management strategies of commercial bank Ethiopia?
   Excellent □  Good □  Average □

5. Does the management provide training program to its employees?
   Excellent □  Good □  Average □

6. Is there continues evaluation and discussion to revise the cash management system?
   Yes □  No □
   If your answer is no please give your reason ____________________________

7. Is the amount of cash collected is deposited in the bank on the same day?
Yes ☐ No ☐
If your answer is no please give your reason ____________________________

8. Is there cash management officer involved on the process of checking the bill and amount of cash collected?
Yes ☐ No ☐
If your answer is no please give your reason ____________________________

9. Is there minimum and maximum cash balance maintaining?
Yes ☐ No ☐
If your answer is no please give your reason ____________________________

10. If their cash operation in accordance with cash management?
Yes ☐ No ☐
If your answer is no please give your reason ____________________________

11. Is there any fraud or misuse of cash?
Yes ☐ No ☐
If your answer is no please give your reason ____________________________
**Interview Questioners**

1. What are the reasons for holding cash?
2. What type of data is using?
3. Does commercial Bank of Ethiopia invest idle cash properly? What kind of investment?
4. What is the policy of cash collection and disbursement of the bank?
5. What are techniques using in the CBE to manage it cash?
6. How CBE evaluate cash management strategies?
7. Do you thing your organization has good cash management system? Why or way not?
8. How the companies manage its accounting for cash receipt/collection and payment?
9. Does the company specify clear lines of responsibility for allocation regarding cash management for authorizing actions and transaction?
10. If you have only information regarding cash mgmt of close could you tell us please?
Advisor Declaration

This paper has been submitted for examination with my approval as the university advisor

Name

Signature

Data
Declaration

We the undersigned declare that this senior essay is our original work, prepared under the guidance of Gebregziabhar Hagos all Sources materials used for the manuscript have been acknowledged.

Name                  Signature

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Place of submission    SMU

Date of submission      June 2014