

‘WORKING CAPITAL MANAGEMENT - A CASE STUDY OF DATAPATH LTD.’

Datapath Ltd.

Prepared by
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Submitted in Partial Fulfillment of the Requirements for the Degree
Bachelor of Business Administration



January 30, 2022

Internship Report Approval Form

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INTERNSHIP/PROJECT INFORMATION

Internship

Organization: DataPath Ltd.

Internship /Project Report Topic: Working Capital Management – A case study of Datapath Ltd.

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SUPERVISOR APPROVAL

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☐ Partial Re-write

☐ Full Re-write

Remarks (For Not Approved): _____

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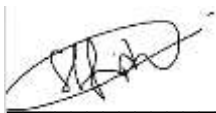
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datapath

Letter of Transmittal

Date: 30 January, 2022

Prof. Milan Kumar Bhattacharjee

Treasurer & Professor

ULAB School of Business

University of Liberal Arts, Bangladesh

Subject: Submission of Internship Report on “Working Capital Management - A Case Study of DataPath Ltd.”

Dear Sir,

I am pleased to let you know that I have completed my internship program at Datapath Ltd. I would like to submit the Internship Report on “Working Capital Management - A Case Study of DataPath Ltd.”

I have tried my best to follow your instructions and make the report as perfect as possible with a meaningful outcome within the targeted time. I made sincere efforts to study related materials, documents, and examined relevant records for preparation of the internship Paper as comprehensive and informative as possible within the time allowed for me. If I made any mistakes, I sincerely beg for your apology.

I would also like to extend my gratitude for all your support and guidelines. If you have any queries, I would be happy to oblige and answer.

Sincerely,

Shafidul Islam

ID:173011053

ULAB School of Business

University of Liberal Arts Bangladesh

Acknowledgement

I might want to take a minute to thank my respectable faculty Prof. Milan Kumar Bhattacharjee, for giving the extension to finish my temporary position program with his important direction, consolation, and thoughtful counsel all through my internship. I might want to communicate my deepest gratefulness to all the individuals from DataPath Ltd. who caused me in finishing the report. I might want to thank all my colleagues for their help all through my internship period.

The report title as named Working Capital Management - A Case Study of DataPath Ltd. has been prepared to fulfil the requirements of BBA degree. I am very much fortunate that I have received utmost and sincere guidance, supervision and co-operation from various people while preparing this report.

I might want to devote most extreme gratitude to the New Business Team Manager Sayef Kamruzzaman and Team Leader of DataPath Ltd. Jahid Hasan Bhuiyan for directing me and giving all vital data expected to set up my internship report. I additionally need to communicate unique gratitude to the senior Executive of New Business Team Naem Shikdar, Fahim Ifthekar & Shawon Baroi who has given me all the preparation required.

I would like to convey my sincere appreciation and thanks to University of Liberal Arts, Bangladesh and all the members of DataPath Ltd. who gave their best in helping me learn and do my internship report and for giving me such opportunity where I got to learn so much about retirement plan benefits.

Executive Summary

Data Path Ltd. is a private limited business that was established in 2008 under the direction of Mr. Ashfaqur Rahman, who is also the company's CEO and Managing Director. Many national and international businesses benefit from the company's help and services. Data Path prioritizes the preservation of traditional principles such as professionalism and honesty while also incorporating creativity and innovation through the use of cutting-edge technology. Data Path engages with customers to help them become high-performance enterprises by combining unrivaled experience, comprehensive capabilities across all industries and business activities, and substantial research on successful companies. DataPath Ltd. is located in Ambon Complex, 7th, 8th and 9th Floor, 99 Mohakhali Commercial Area Dhaka-1212, Bangladesh.

This study is based on DataPath Ltd. working capital management and its influence on day-to-day operations in Bangladesh. The primary objective of this report is to complete the BBA program's requirements. I successfully completed my internship at DataPath Ltd. office. As needed information sources, both primary and secondary data sources were incorporated. For the ease of understanding I have divided my whole report into two parts. Each part contains several chapters which can be seen at a glance in table of contents.

The company profile, internship position and duties, observation, recommendations, and conclusion are the three chapters in the first section. Using the five forces model and SWOT analysis, a significant effort was made in the company profile to understand the organization's vision, purpose, objectives, goods and services, and business positioning. Then, in chapter two, I summarized my experience as well as my tasks and functions throughout my internship. Later in Chapter 3, I discussed my findings about the agency and made some recommendations based on them.

Research Design, Theoretical Background, Analysis and Findings, and Recommendations and Conclusion are the four chapters of the second half. In chapter one, I outlined the research's goal and scope, as well as its methods and constraints. In chapter two, the concepts and hypotheses that would guide research were explored. The primary analysis and general conclusions from the investigation were highlighted in Chapter 3. I made my own suggestions based on the findings of the study, and I wrapped off the research by presenting a summary of the findings.

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Part A

Internship Experience

Chapter One

Organization Profile

Background

Internship program or project paper is a graduation requirement for all Bachelor of Business Administration (BBA) students. Internship is a program in which a student works in a company to obtain real-world experience, gain valuable job skills, and gain real-world knowledge of the corporate world. As a result, I chose an internship program to finish my BBA. Only classroom learning will not prepare a student for real-world work. Internships allow students to learn about the working environment of a company. Because theoretical knowledge is insufficient for professional success. On September 7, 2021, I began working as an intern at DataPath Ltd. in order to gain practical experience. The internship program lasted four months. I was officially assigned to the Department of New Business. This report focuses on DataPath Ltd.'s New Business department's overall activity. This report details the company's history, its many goods and services, as well as findings and recommendations based on the knowledge gained.

Data-path Limited is the name of the company where I did my internship. It is a Bangladeshi outsourcing firm. It works for Jim Hudson and John Humphrey's company, July Business Service. July Business Services is a well-known retirement plan provider in the United States. Datapath Ltd. began providing July Business services on a trial basis in 2005. It began by providing support operations for July. July Business Services officially began operations in 2008.

The company hired the efficient employees to work for the July Services. It had no more than ten staff in the beginning. However, this company today employs over 300 employees, all of whom are highly regarded. July Business Service is a Professional Service firm for their customer, focusing on the 401(k) Retirement Industry in the United States and all related administrative services. It is critical to collaborate closely with the employer and financial partner in order to provide customized services. It also aids in the achievement of the organization's objectives. This business has a lot of experience in this field.

The firm's worked with so many relationships, such as Bank, investment advisors, mutual fund company, brokerage firms. In the end of 1996, this company had only 5 employee and 250 retirement plans.

Vision:

“Become the best retirement plan administrator in USA”.

Mission:

Is to provide financial advisors and plan sponsors the power to choose the retirement plan solution that best meets the goals of business owners and their employees by delivering refreshingly responsive, unbiased, reliable plan design, administration, recordkeeping, and consulting that encourages saving for retirement.

Service:

Data-path Limited gives the following services to its clients:

- | | |
|--------------------|--------------------------|
| I. Plan Design | III. Administration work |
| II. Setup the plan | IV. Client Services |

Logo



Organizational

Structure

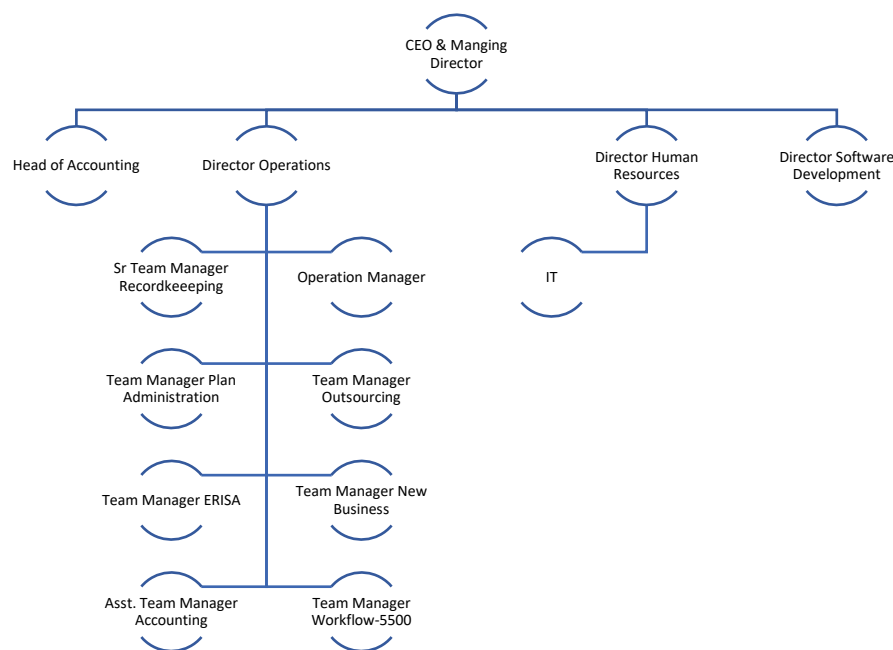


Figure 1: Organization Structure Diagram

My position was Intern officer and I was working under New Business department. Every department has their extended structure.

Other Departmental Structure

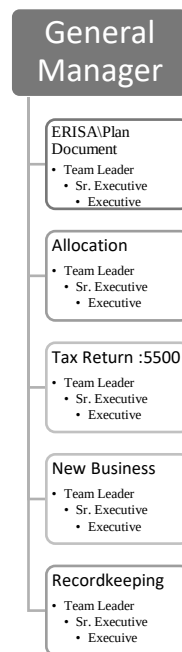


Figure 2: Departmental Structure Diagram

Porter's Five Forces Model:

A typical industry analysis begins with a comprehensive assessment of the forces that shape the company. The purpose of this type of research is to use it to generate a competitive edge for the company so that it can outperform its competitors. The majority of this study was organized and presented by Harvard University Business School Professor Michael Porter. Porter's Five Forces Model is so named because he recognizes five primary forces that might affect an organization.

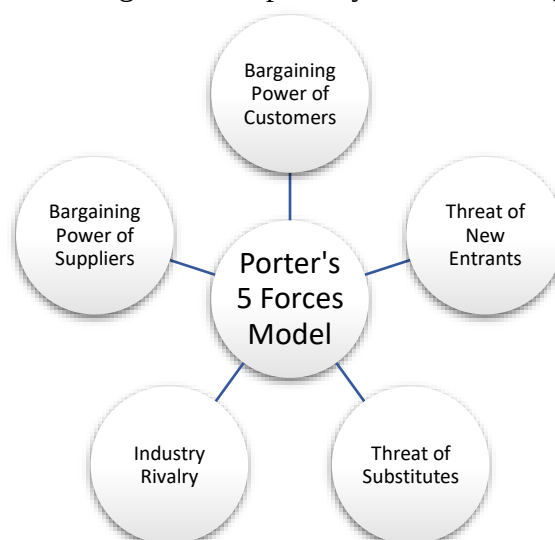


Figure 3: Porters 5 Forces Diagram

1. Threat of new Entrants

For the past 20 years or more, the retirement plan sector has been consistent and increasing, and it is still rising. The investment in this area is lower than in other industries in Bangladesh, but the demand in the US industry is extremely high. As a result, for the US market, the threat of new entrants is relatively strong.

2. Threat of substitutes

There appears to be no substitute for the Retirement Plan Industry, which is entirely based on technology and has a low error rate. Companies that employ the traditional way are still profitable, but they are expensive. However, some businesses prefer simple techniques, and in this case, this Industry is the best option. As a result, corporations are increasingly turning to this industry for their employee needs. In light of this scenario, the threat of a retirement industry replacement is unlikely at this time.

3. Bargaining power of customers

Clients are usually swayed by lower-cost options. When compared to the number of consumers in the Retirement Plan Industry, the number of customers is rather high. As a result, client power is rather limited in these industries, which rely on a large number of clients to support their growth.

4. Bargaining power of suppliers

The cost of this industry is mostly influenced by the client's well-planned financial advisors. The task for producing the Plan is usually given to the financial advisor who can deliver the finest solutions at the lowest possible cost. As a result, the Retirement Plan Industry in the United States normally has the upper hand because each Advisor's planning and execution are usually accurate due to data and technology.

5. Industry rivalry

The retirement plan sector is quickly expanding around the world, and our country needs to be included in that expansion. Although our country has a little influence in this retirement plan sector, most people in Bangladesh do not know how to save or manage their provident fund money. Healthy competition will force our country to fully develop this industry. Because the number of clients in Bangladesh is minimal, industry rivalry is low in this industry, but if we compare to the United States, I would say industry rivalry is very high over there.

Strategic SWOT Analysis

STRENGTHS

- Software with a high level of security and an IT-based service.
- In the local market, there are less competitors.
- Offering a lower pricing in the United States than other third parties.
- Bangladesh's corporate growth will be sustainable.
- Obtaining remittances from abroad for Bangladesh.

WEAKNESSES

- Face-to-face communication with the client is lacking.
- Bangladesh's brand-new service industry.
- Employees must be trained from the ground up, which takes time.
- Promotional initiatives are lacking.

OPPORTUNITIES

- The creation of new jobs.
- Bangladesh is developing a new service industry.
- Forming alliances with many countries.
- Workflow is influenced by the state of the US economy.

THREATS

- Promissory notes are not binding on clients.
- In the United States, we rely entirely on third-party companies.
- In the local market, there are new competitors.
- Bangladesh's service sector is not well-known.

Chapter Two

Internship Role and Responsibility

My Experience during the Internship Program

Joining a fast-growing company was a fantastic chance for me because I gained a lot of corporate exposure and met a lot of brilliant and high-ranking JULY SERVICES executives (USA). This corporate exposure helped me learn how other organizations' corporate cultures work, as well as how the retirement plan sector is booming in the United States. It is not far off that a dramatic shift would entirely transform the way this sector does business in Bangladesh. DataPath Ltd. is well-known in the retirement plan industry in the United States, and they are very flexible to changes in software and technology according to the client's needs, which are the two key drivers of the business.

I was under a well-known supervisor at my organization who was well respected by DataPath Ltd. and July Services. He held the professional degree "QACA" which is held the highest professional for 401K plan. I was always on time and he appreciated this the most. The following work I did under his supervision:

1. Managing ledger accounts, cash and bank transactions, receipt and payment statements, cash and fund flow statements, stock records, and the trial balance.
2. Maintain and prepare a variety of vouchers, cash books, bank books, bill registers, general ledgers, and other financial and accounting records.
3. Observed and prepared Enrollment Kit as well for the client so that they can be enrolled on to the Plan.
4. Prepared Fund List and managed the Bonds which the client chooses for their investment.
5. Observing how the assets conversions happens when the client moved to our company. I was given opportunity to do little work as these types of work were very critical and was only managed by my superior.
6. I also contributed with my idea about a new service known as 3(16).
7. Any activities related to Finance or Accounting was given to me so that I can improve and excel in real life job.

Chapter Three

Recommendations and Conclusion

Recommendations

The firm's vulnerabilities and hazards were found in this analysis, and they have an impact on current profitability as well as future business risk. The organization may employ the following ways to address these issues:

1. To meet stated growth statistics and sustain long-term client retention, the company has to hire more skilled staff in its Bangladesh branch.
2. DataPath Ltd. needs to improve its internal communication amongst its staff.
3. Current software produced with the company's own customization is useful for managing the firm's internal finances, resources, and personnel difficulties, but it may also be sold to other businesses for profit.
4. DataPath Ltd. need additional people in its software team because client technical requirements vary frequently.

Conclusion

DataPath Ltd. is a well-known retirement plan provider in the United States. It serves to JULY SERVICES and a few other private clients. Working in this firm was a unique and incredible experience for me. Despite the fact that my job was in the New Business department, I was also assigned to work in the accounting department, which allowed me to obtain real-world experience in both Plan Setup and Accounting. My coworkers, managers, supervisors, and executives were all really helpful, and the work environment was vibrant and enjoyable.

Part B

Research Project

Chapter One

Research Design

Introduction

Every company need sufficient liquid resources to maintain day-to-day cash flow. Businesses must have enough liquid cash to meet short-term obligations while also ensuring the company's long-term viability. Working capital control and planning are crucial for management to pay close attention to. Working capital is the sum of all current assets, such as raw material inventories, receivables, notes receivables, work-in-progress, finished commodities, stores, short-term investment, and cash. A company's working capital is determined by the difference between current assets and current liabilities. If current assets exceed current liabilities, the company has enough liquidity to keep its operations going while paying off short-term loans and other operational costs. Working capital is regarded as a company's lifeblood. In this scenario, working capital is comparable to the soul of the human body. To enhance an organization's worth, working capital management aims to establish a balance between short-term liquidity and long-term profitability.

Objectives of the Study

The major goal of this research is to discover the Retirement Plan Industry's insight view of working capital management. The following are some of the study's other major goals:

1. Determine the various proportions of 'DataPath Ltd.'s working capital management.
2. Compare the performance of working capital across several years using several accounting ratios.
3. To determine the liquidity situation of 'DataPath Ltd.'
4. To assess 'DataPath Ltd.'s accounts receivables and payables.
5. To make some recommendations for improving the effectiveness of working capital management.

Methodology

The key sources of information for this study were direct observation and conversation with various executives of 'DataPath Ltd.' To increase my comprehension and get fresh information, I used some of the tactics indicated below:

- Library work method
- Interview method
- Observation method
- Desk study method

Source of Information

Information sources are categorized into two groups based on resources:

- Primary Sources
- Secondary Sources

Because it provides authentic, accurate, trustworthy, and timely information, primary information sources are far more accepted than secondary information sources. All of the information has been carefully chosen for its accuracy, relevancy, and reliability. The nature of this study is quantitative.

1. Primary Sources

- Direct communication with the individual staff and executives at JULY SERVICES's Bangladesh office (DataPath Ltd.).
- Work experience with DataPath Ltd. in the areas of receivables, payables, bank management, Notices, and Enrollment Kit.
- Work experience generating various internal management reports, Enrollment Kits, Notices, and Bonds for working capital management.

2. Secondary Sources

- Annual Reports of 'DataPath Ltd.'
- Official website of 'DataPath Ltd.'
- Various documents and files of 'DataPath Ltd.'

Scope of the Study

'Working Capital Management' is the title of my study project. The main purpose of this study is to evaluate DataPath Ltd.'s working capital management process from 2017 to 2021. As an intern in the accounting department as well as the New Business department, I was able to gain more and more practical and relevant expertise on this subject.

Limitations of the Study

1. Limitation of Time

To fully appreciate DataPath Ltd.'s working capital management trend, more time is required. However, the study must be completed within a certain amount of time.

2. Lack of In-depth Study

Due to time constraints and the confidentiality of company secrets, in-depth study was not possible in several circumstances.

3. Lack of Comparable Data

It would have been tremendously advantageous if I had been able to compare the company's success to that of its competitors in the same industry at the same time.

Chapter Two

Theoretical Background

Concepts of Working Capital

Various organizations define working capital in a variety of ways. The goal of this part is to help us to grasp the concept of working capital.

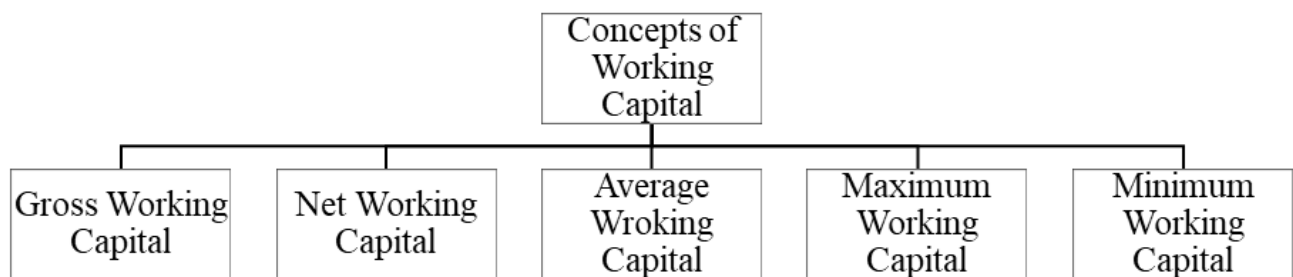


Figure 4: Working Capital Diagram

a. Gross Working Capital

The amount of a company's current assets is its gross working capital. Gross working capital, on the other hand, refers to the total amount of current assets that can be funded. Cash, accounts receivables, inventory, liquid assets, short-term investments, and other assets that will be exchanged for cash within a year are all considered current assets in gross working capital. Gross working capital rises in line with current assets. Borrowing money from others increases your existing responsibilities. Gross working capital is calculated to assist in the measurement of a company's cash flow as well as to provide a clear image of available liquid funds to operate day-to-day activities.

Formula: $\text{Gross Working Capital} = \text{Total Current Assets}$.

b. Net Working Capital

The term "net working capital" refers to a company's current financial position. Net working capital is the difference between a company's current assets and current liabilities. Account payables, taxes, short-term obligations, and other liabilities due within a year are all included in current assets. The term "net working capital" can be used to describe both positive and negative circumstances. The net working capital is positive when current assets exceed current liabilities, and negative when current liabilities exceed current assets. Negative net working capital shows a company's weak liquidity condition, whilst positive net working capital indicates a company's great liquidity position.

Formula: $\text{Net Working Capital} = \text{Current Assets} - \text{Current Liabilities}$.

c. Average Working Capital

Average working capital is the amount obtained by dividing two years' worth of working capital by two. This effectively prevents any working capital swings for the next two years.

Formula: $\{\text{Working capital (current year)} + \text{Working capital (prior year)}\} \div 2$.

d. Maximum Working Capital

Seasonal sales fluctuations are possible for businesses. During peak season, a company's operational capital must be sufficient to satisfy increased demand. To achieve seasonal success, increased inventories and receivables must be controlled. During severe peak periods, a company's working capital must be increased to its maximum level, which we refer to as maximum working capital.

e. Minimum Working Capital

During the quiet season, product demand drops dramatically, resulting in lower inventory and receivables. At the time, the company's working capital requirements were at an all-time low. This is the term for the company's basic operational capital.

Working Capital Cycle

The working capital cycle is the time it takes for a company's net current assets and liabilities to be converted into cash. The working capital cycle assesses a business's efficiency and ability to manage short-term cash flow. Working capital cycles are measured in days by businesses. A company's working capital cycle should be as short as possible.

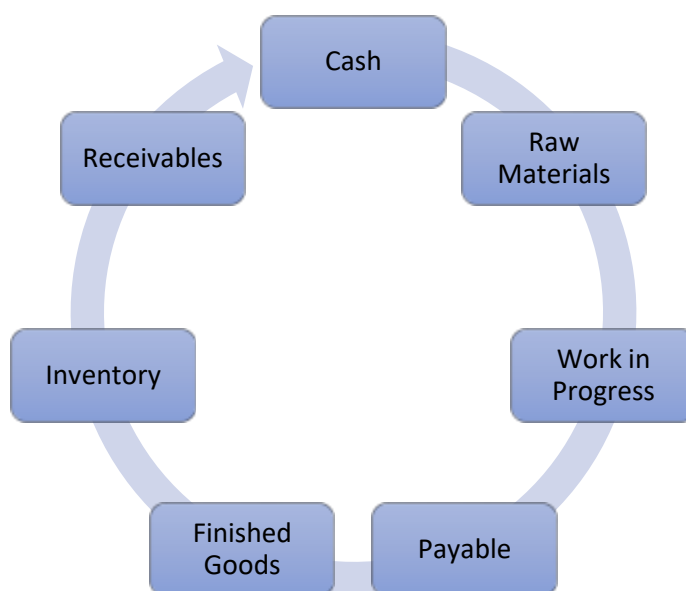


Figure 5: Working Capital Cycle

Components of Working Capital

The management of four important components is the main emphasis of the working capital cycle. It's critical to have complete control over these four components when examining a company's working capital cycle. The following are the four essential components of a company's working capital:

- Cash and cash equivalents
- Inventory
- Debtors / accounts receivables
- Creditors / accounts payables

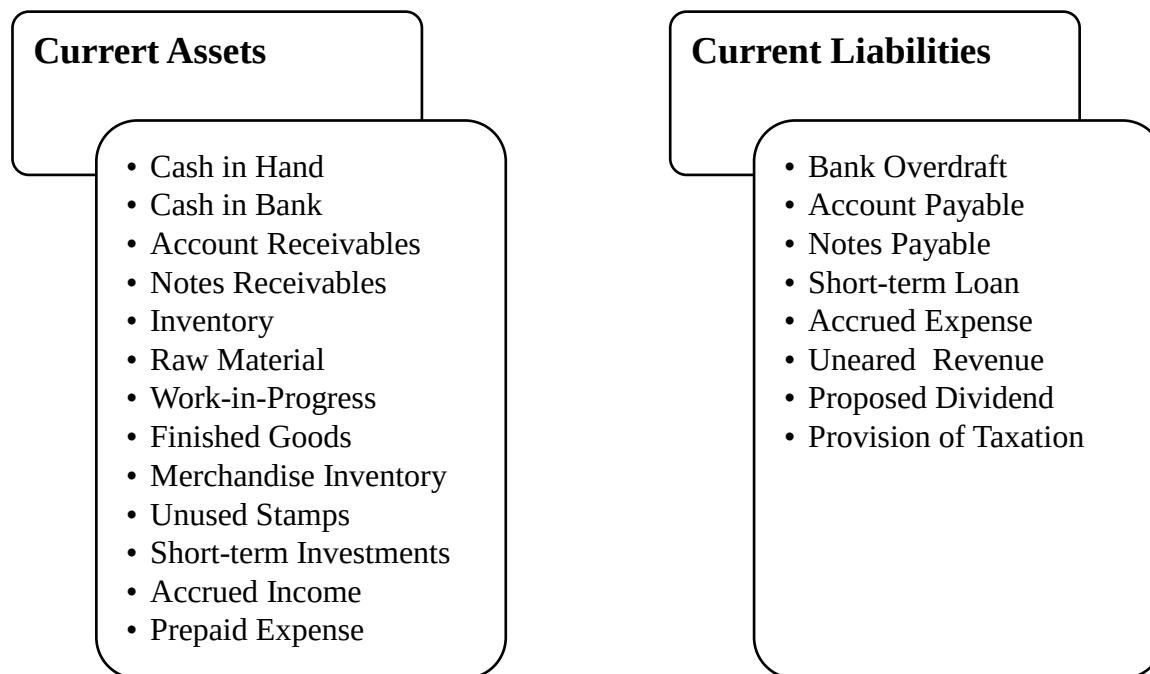


Figure 6: Components of Working Capital

a. Cash and cash equivalents

Cash is one of the most important liquid assets in a company's working capital management. Because holding cash or having an excess of cash can be harmful to a company, it's critical to manage cash well. Cash is losing value every day, and having too much cash on hand can put a company in a bad position because it is not an earning asset. Cash management is the single most important factor in avoiding bankruptcy.

b. Inventory Management

Many firms have inventory as one of their primary items. Cash is a vital component of a company's working capital management. Effective cash management is critical since holding or having an excess of cash can be detrimental to a business. Every day, cash loses value, and having too much cash on hand can put a company in a terrible situation because it is not a revenue-generating asset. The most crucial aspect of preventing bankruptcy is proper cash management. within the scope of present assets Inventory includes raw materials, work in progress, and finished goods. Inventory control is an important part of management. Management must correctly and successfully manage the inventory. A

company's excess stock can be a nuisance, while a lack of stock can inhibit or delay sales. As a result, firms should keep their inventory levels as low as possible.

c. Receivables Management

Receivables account for a large percentage of a company's current assets. As a result, the firm's internal control system must develop an effective debtor management strategy. Debtor management policy comprises a control on credit duration and credit limit for consumers with an effective credit recovery program. In addition, the company must establish a method for extending credit to new customers. Failure to manage debtors causes more money to be locked up in receivables, resulting in a negative return on investment and a missed opportunity. There's also the chance that bad debts will rise. The cash operating cycle will be lengthened as a result of poor debtor management, necessitating an increase in working capital investment. Debtor management practices differ by industry and even within a single business.

d. Payables Management

In working capital management, both creditors and debtors play a crucial role. Creditor management can help prevent unjustified growth in working capital needs. Purchasing raw materials on time and limiting cash leaks can help a company's liquidity. Late payments to suppliers have a negative impact on the company (e.g., a bad reputation, higher purchasing costs, reduced discounts, and failure to meet lead-time promises). The corporation must strike a compromise between maintaining a positive creditor reputation and maximizing liquidity.

Factors Affecting Working Capital Requirements

It is vital to appropriately estimate a company's working capital. The operational cycle's balance is affected by both too much and too little working capital. As a result, a business must determine how much working capital it requires. When determining working capital management, take into account the following factors.

1. Nature of Business

The amount of working capital required varies based on the type of business. The manufacturing company must invest in raw materials, develop them into finished goods, maintain a stock of finished goods, and then sell them to customers on credit, requiring a considerable amount of working capital.

However, because wholesalers often buy things, maintain stock, and sell to customers on credit, the cost of doing business as a wholesaler is lower than it is for a manufacturing firm.

A retailer's trading firm has a very low working capital requirement since it buys things on credit and sells them to customers with a short credit duration. For a grocery business, it may be zero because it buys on credit and sells on cash.

2. Length of Operating Cycle

Working capital requirements are directly proportional to the length of a company's business cycle. The operating cycle is the period of time between when money is spent on production and when it is collected from sales. The working capital cycle, as well as the trade cycle and the cash conversion cycle, are all terms used to describe it.

Working capital is required as the business cycle lengthens. A corporation can save money on working capital while maintaining a smooth business flow by shortening the operational cycle.

3. Scale of Operation

Working capital is required by a small business with a small scale of operations, a small number of customers, and a small inventory of things in stock. As a corporation expands in size, the amount of working capital required increases accordingly.

4. Seasonal Factors

Working capital may be steady throughout the year for a company that is not seasonal. Demand is more likely to climb during peak season and fall during off-peak season in a seasonal firm. During peak season, more demand will entail increased supply and more consumer requests. During peak season, this requires a large amount of working capital, and vice versa.

5. Business Cycle Fluctuation

The business cycle refers to the natural fluctuations in economic growth. As a result of greater economic growth, demand has risen dramatically, pushing all other variables to follow suit, including increased production, stock, and customers. Additional working capital will be necessary to keep pace with this expansion. During a recession, on the other hand, demand plummets and all other circumstances conspire against the company. As a result, there is now no requirement for operational capital.

6. Operating Efficiency

If a business's operations are more efficient, its working capital requirements may be reduced. Low waste and idle time may help you save money on operating expenses. When operating expenditures are minimal, so are working capital investments. Because of inefficient operations, costs and working capital requirements will increase.

7. Availability of Raw Materials

If a production process requires the use of rare, unusual, or scarce raw materials, the corporation must keep a buffer stock on hand. The company's working capital will rise as buffer stock grows. Less inventory means less money is invested in working capital and less money is tied up in inventory.

8. Technology and Production Cycle

In comparison to traditional labor-intensive businesses, technically inclined businesses rely heavily on machines. Labor-intensive enterprises must pay employees on a regular basis, which necessitates a higher level of working capital. Machine-intensive industries, on the other hand, have lower operating costs but require more capital.

The manufacturing cycle also influences the quantity of working capital required. The manufacturing cycle is the time it takes to transform raw materials into finished commodities. The more working capital is required to generate final things, the longer the manufacturing cycle is. The quantity of working capital required will be smaller because there will be less money locked up in inventories and completed items with a shorter manufacturing cycle.

9. Credit Avail

The quantity of credit available is governed by the following factors: The payables payment period is the average time it takes for payables to be paid in days. The length and amount of credit a company can obtain has a significant impact on its working capital requirements. Working capital will be reduced if a company can acquire more credit for a longer period of time.

10. Credit Allowed

The most typical statistic used to determine credit provided is receivables collection duration, which refers to the average collection period of receivables in days. A variety of factors are considered, including industry practice, customer creditworthiness, and a few others. Enforcing a strict credit management policy might help lower working capital requirements. The longer the period between collections, the more working capital is required.

11. Growth Prospects

A company's working capital must be greatly increased if it expects to grow quickly. Growth in the economy demands additional raw resources, inventories, and capital invested in activities.

12. Level of Competition

A competitive market might affect the amount of working capital required. Customers may want a more lenient credit policy as well as timely delivery. In order to do so, it needs keep a larger inventory. Monopoly enterprises, on the other hand, may be able to set their own credit terms for customers, potentially cutting their working capital requirements.

13. Inflation

Inflation means that the price of resources, labor, and other goods and services will grow with time. If a company can increase the price of its products, it will be able to weather the storm. Otherwise, the company will have to raise working cash over time.

Shortage of Working Capital

Working capital deficits suggest that a company does not have the finances it requires to run its daily operations. Lack of working capital was another term for it. To put it another way, the difference between sufficient and actual working capital is referred to as the working capital shortfall. Operating capital shortages restrict and hinder a company's activities.

The following are the disadvantages of inadequate working capital:

1. Impact on goodwill - It tarnishes the organization's image.
2. Liquidity affected - It has an effect on the liquidity of the company.
3. Poor maintenance of fixed assets - Due to a lack of operating capital, fixed assets cannot be properly exploited.
4. Payable's defaulter - It is unable to meet short-term obligations due to a shortage of operating cash.
5. Inefficient production - Businesses do not take advantage of their manufacturing capabilities to their maximum potential.

Surplus of Working Capital

A company is said to be in surplus when it has more working capital than it requires. Excess, surplus, or working capital is bad for a business since it means there is considerably more money in the bank than is required for day-to-day operations. This is an example of a company's non-operating assets, sometimes known as an idle fund.

The following are the disadvantages of excess working capital:

1. Idle money reduces return - Excess working capital is a waste of money that the company cannot use.
2. Increase of unnecessary work - Unnecessary purchases may increase as a result of a lack of working capital.
3. Hamper business relationship - It may be difficult to retain ties with banks and other financial institutions if you have too much working capital.

Working Capital Management

Working capital management is an important aspect of every company's long-term success. It's a method for a corporation to manage its current assets and liabilities in the short term. Each component of working capital must be managed with a clear understanding and set of criteria. To fund day-to-day operations as well as any unforeseen debt commitments, working capital management is essential. The main goal of working capital management is to keep an organization's cash flow stable.

Chapter Three

Analysis and Findings

This is the most crucial component of our analysis. In this section, we attempted to assess the results of our research.

Ratio Analysis

<u>No.</u>	<u>Name</u>	<u>2021</u> <u>(First Half)</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Total</u> <u>Average</u>
1	Current Assets	\$13,884	\$15,130	\$15,816	\$14,434	\$13,253	\$14,503
2	Current Liabilities	\$15,427	\$16,783	\$17,946	\$15,324	\$14,032	\$15,902
3	Working Capital (1-2)	\$(1,543)	\$(1,653)	\$(2,130)	\$(890)	\$(779)	\$(6995)
4	Ratio						
	a) Current Ratio	0.90	0.90	0.88	0.94	0.94	0.91
	b) Working Capital Ratio	0.90	0.90	0.88	0.94	0.94	0.91
	c) Liquid Ratio / Quick Ratio	0.88	0.89	0.86	0.92	0.92	0.89
	d) Receivables Collection Period	9 days	8 days	8 days	8 days	11 days	9 days
	e) Payables Payment period	17 days	14 days	13 days	12 days	15 days	14 days
5	Comment	Deficit	Deficit	Deficit	Deficit	Deficit	Deficit

Figure 7: Ratio DataPath Ltd.

Overall Impression

The current ratio is a useful tool for determining a company's liquidity, although it can be misleading at times, as evidenced by the quick ratio. The services we offer to our customers are all directly tied to paperwork. This eliminates the requirement for the company to store any inventory on its premises.

The above ratios show that all ratios became stable year after year. A steady current ratio, working capital ratio, and quick ratio trend is a solid strategy for any business. We can see that it is consistent from 2017 to 2021, indicating that the corporation will not experience a liquidity difficulty in the foreseeable future.

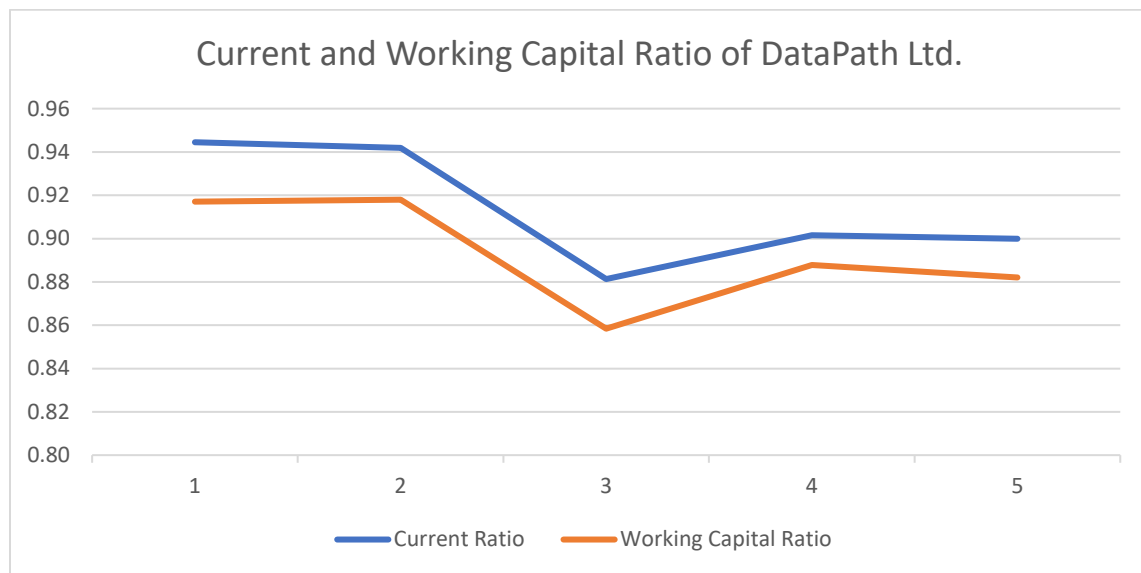


Figure 8: Current Ratio and Working Capital Ratio of DataPath Ltd.

Despite the fact that the firm's liquidity ratios have stayed steady over time, it still has a current ratio and a quick ratio of less than one, indicating that the company may have difficulty matching its current liabilities to its current assets.

We can conclude that the corporation has an overall current asset deficit after considering all aspects. Although DataPath Ltd.'s style of company allows them to create cash extremely fast, on average 9 days each year over the years, allowing them to cover the current asset deficit.

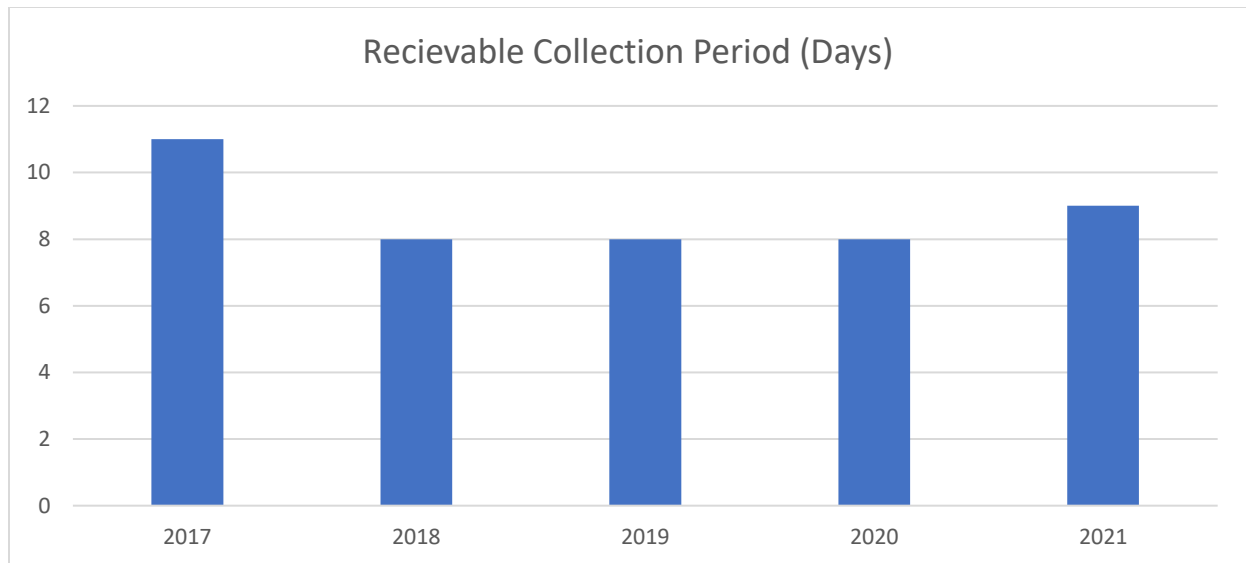


Figure 9: Receivables Collection Period of DataPath Ltd.

The collection duration for the company's receivables decreased with time, indicating that the company's credit management approach is working.

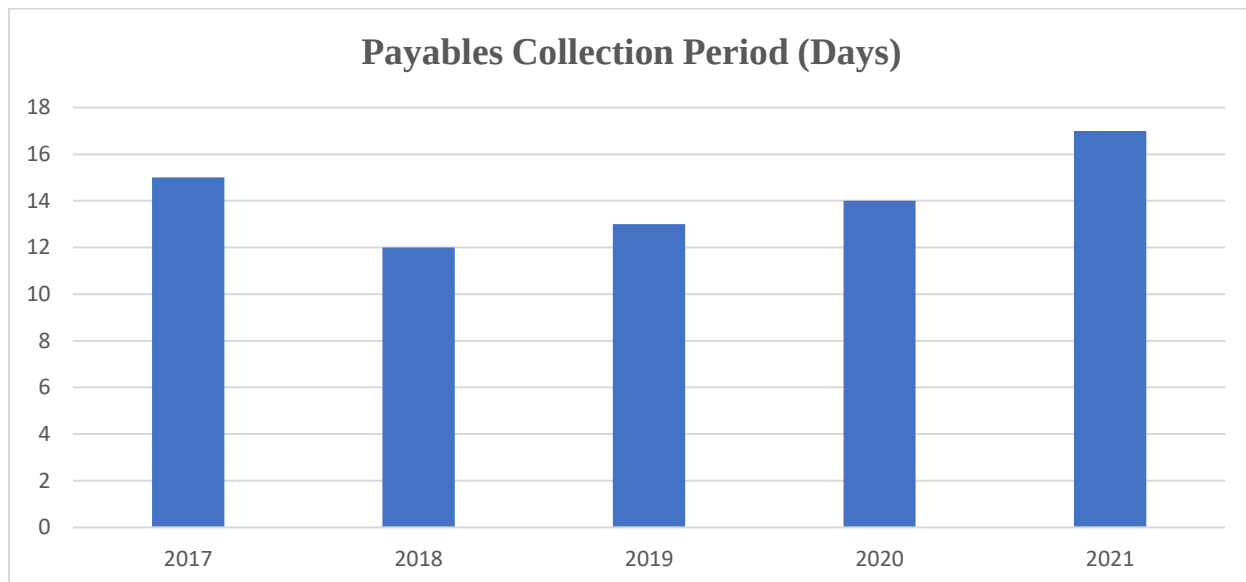


Figure 10: Payables Collection Period of DataPath Ltd.

From 2019 to 2021, DataPath Ltd's payables payment term grew longer, owing to the corona virus pandemic, which began in November 2019. Payable management, on the other hand, remained consistent throughout the period due to the firm's positive client connections.

How to optimize the deficit funds

- DataPath Ltd. is a fast-growing company in its field. By raising the payable time and decreasing the receivable turnover time, the company can expand its operating capacity and minimize its receivable turnover time.
- The firm offers its franchise to clients in the United States, with a focus on delivering 401(k) services. In order to improve its efficiency, the agency can boost its resources in Bangladesh.
- To increase its liquidity, Datapath Ltd. can sell its own ERP system to other Bangladesh-based businesses.
- In Bangladesh, the firm can offer consulting services to new businesses looking to broaden their portfolio and improve their brand image.

Chapter Four

Recommendations and Conclusion

Recommendations

Following the outcomes of the investigation, certain recommendations have been made that might be immensely advantageous to the company's future prospects:

1. As a result of the company's current constant ratio pattern, the current and quick ratios may be increased.
2. By providing more flexible services, the company may be able to attract more clients. However, to reduce the danger of bad debts, the firm should take the necessary steps.
3. To prevent the rising trend in payables payment durations, the company may implement suitable safeguards. In addition, the corporation should look for alternatives to its current vendors, as reliance on the same vendors could lead to insecurity.
4. The company can identify idle cash and cash equivalents, and these resources will help boost overall profitability.
5. Datapath Ltd. may be able to raise its off-season profit by focusing on its other resource companies. Off-peak liquidity will be improved as a result of this.
6. The corporation may employ additional technical tools and data to track performance measures in order to improve working capital investment.
7. DataPath Ltd.'s business model needs a very low level of working capital, resulting in a very short cash operating cycle. By identifying and regulating the cash operating cycle, the company may be able to make important short-term decisions and boost profits.

Conclusion

One of the most critical parts of a company's overall profitability is working capital management. In this regard, DataPath Ltd. has fallen short, putting the company in jeopardy due to a liquidity shortfall fund. However, there is a common misperception that liquidity and profitability are diametrically opposed, meaning that a company's total profitability might benefit from a lack of liquidity. It's notable that the company has no inventory and that its current and quick ratios are equal. These ratios have been steady over the past five years, although they are still well below the danger threshold. The time it takes to collect receivables has decreased, which is a good sign that liquidity is improving. It won't hurt relationships with other clients because the industry's average receivables collection time has similarly decreased. Payable's payment times have increased, indicating that there may be concerns with the company's other resources. If a company's working capital fund is properly managed, it can reduce its deficit and maximize profits.

Appendix

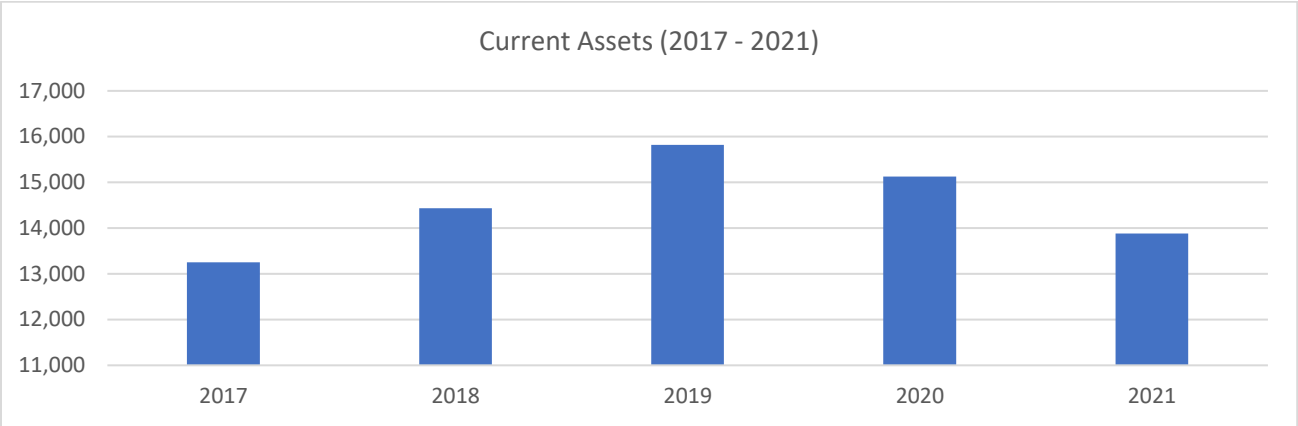


Figure 11: Current Assets of DataPath Ltd.

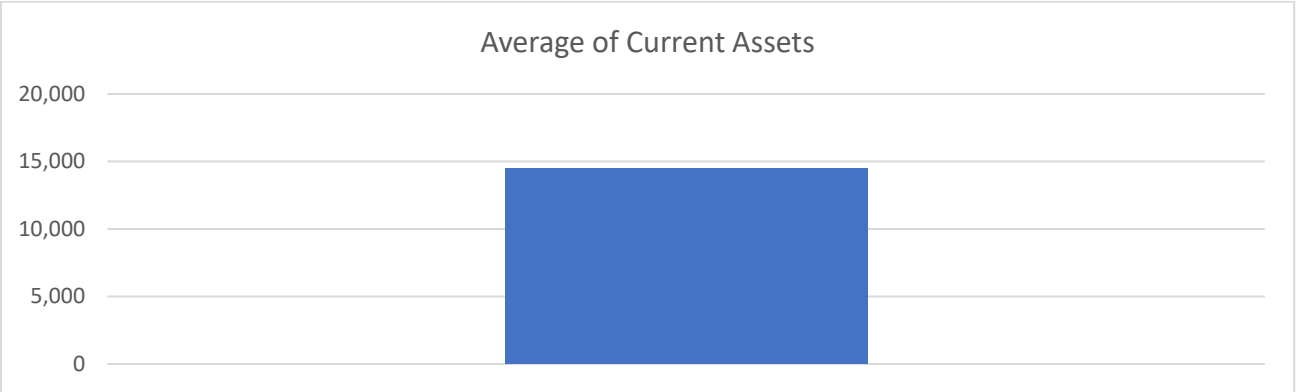


Figure 12: Average Current Liabilities of DataPath Ltd.

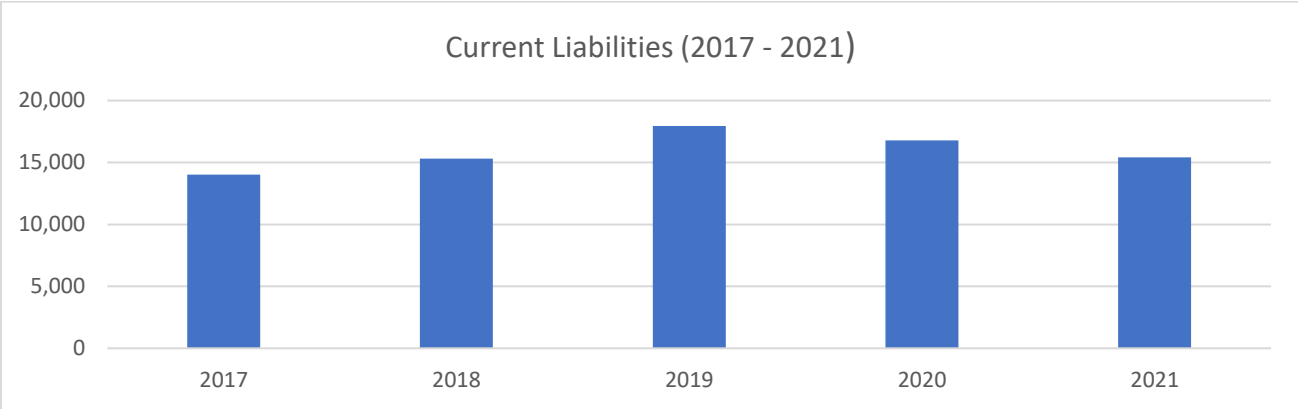


Figure 13: Current Liabilities of DataPath Ltd.

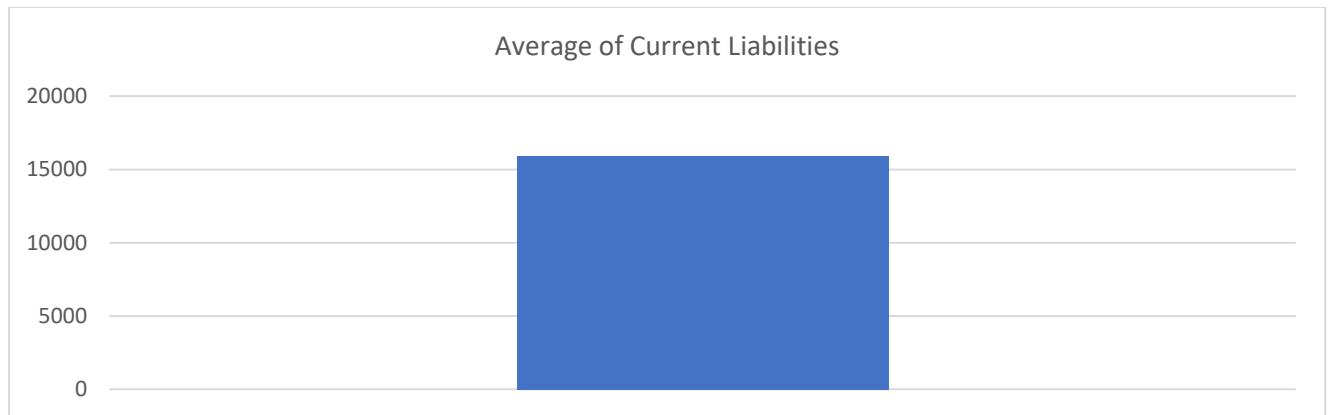


Figure 14: Average Current Liabilities of DataPath Ltd.

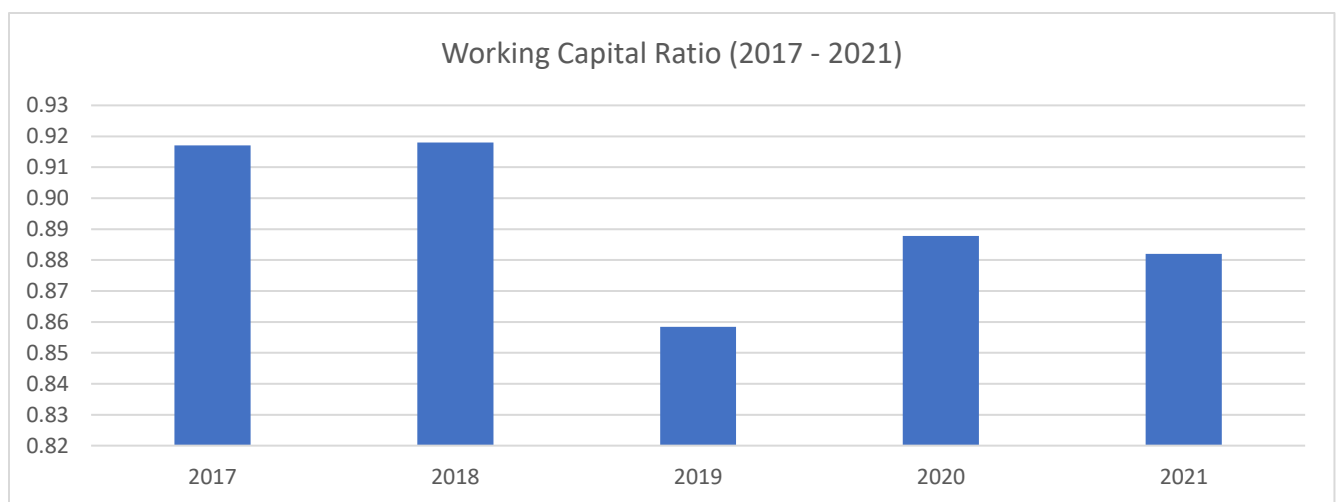


Figure 15: Working Capital of DataPath Ltd.

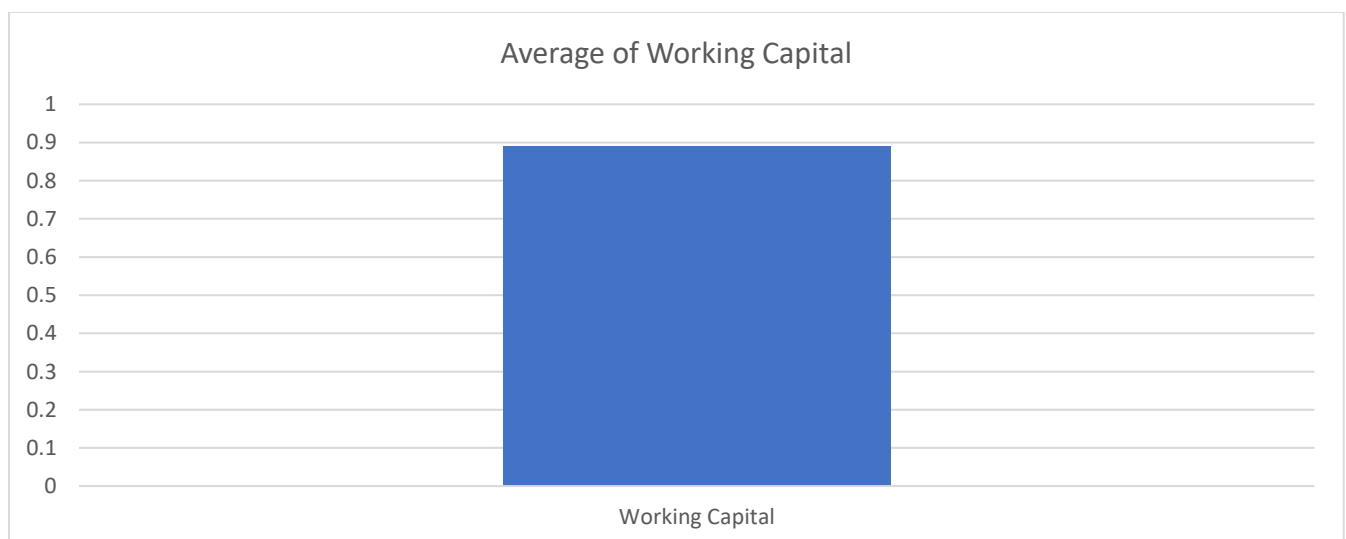


Figure 16: Average Working Capital of DataPath Ltd.

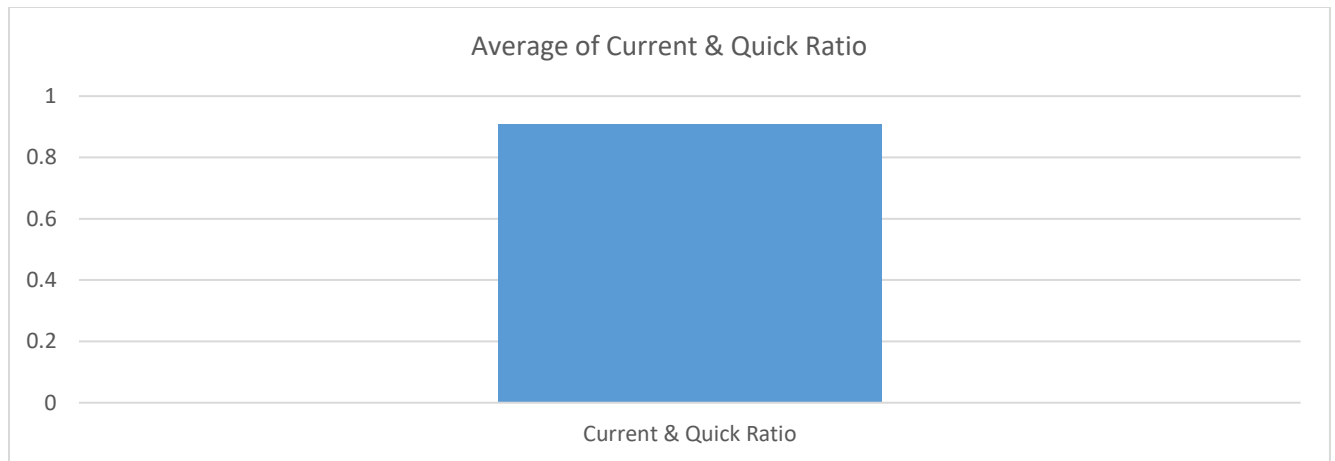


Figure 17: Average Current Ratio & Quick Ratio of DataPath Ltd.

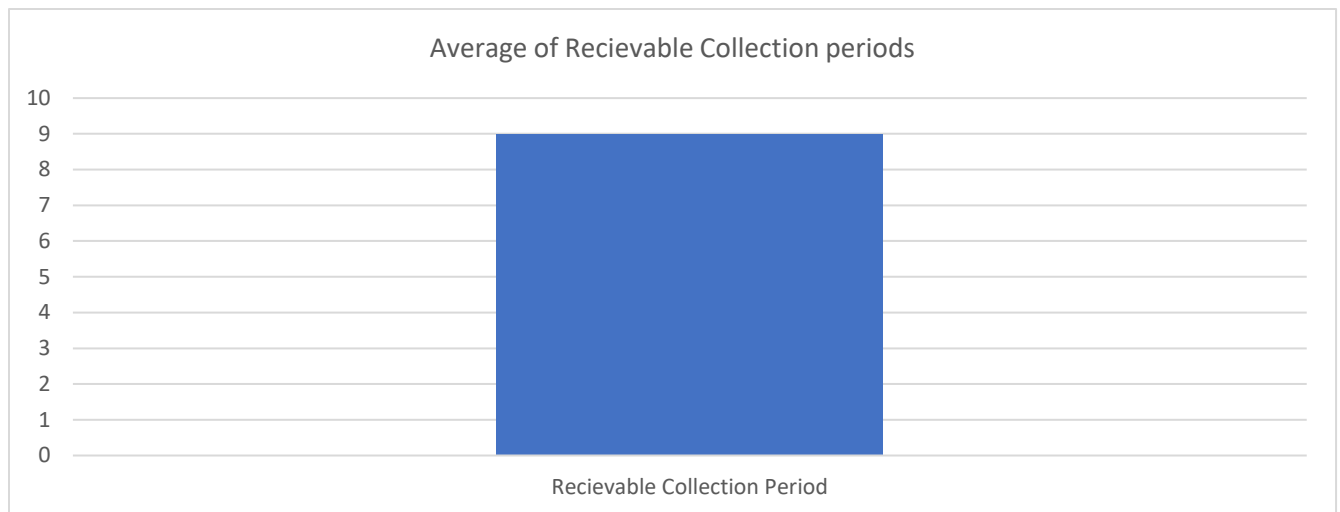


Figure 18: Receivables Collection Period of DataPath Ltd.

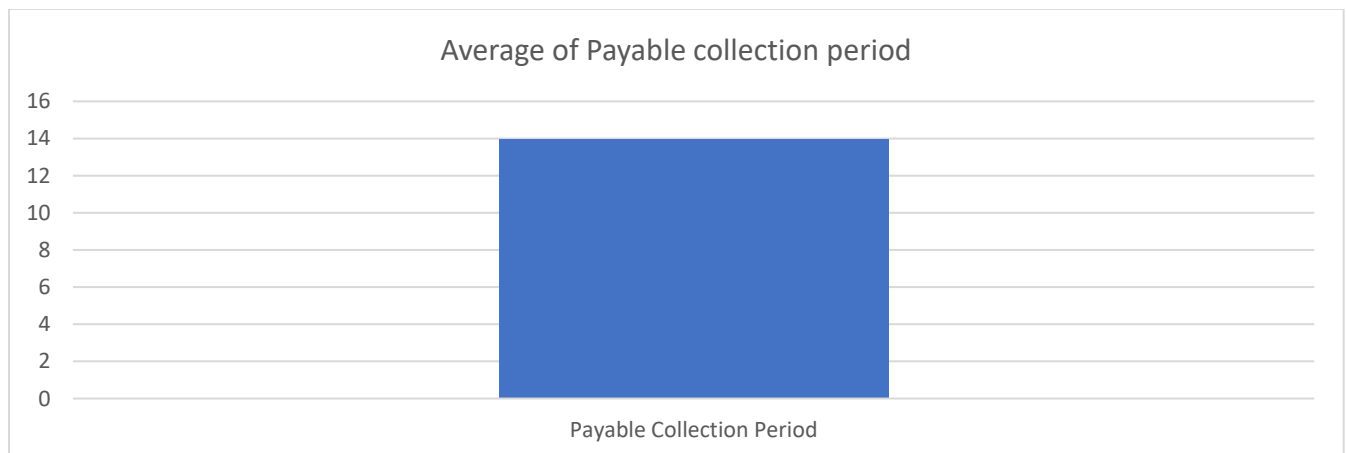


Figure 29: Payables Payment period of DataPath Ltd.

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