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AN ANALYSIS OF THE EFFECTIVENESS OF WORKING CAPITAL MANAGEMENT POLICIES AT LUPANE STATE UNIVERSITY  

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ABSTRACT

The study sought to analyse the effectiveness of working capital management policies at Lupane State University (LSU) using data from 2011-2012. Other objectives of the study were to: identify the existence of working capital management policies; examine how the management implement the policies, come up with strategies that can lead to an effective working capital management system and to come up with recommendations to the institution based on research findings. The descriptive survey method was used by the researcher to solicit information from the respondents and a case study approach was used. Data was obtained through interviews, administering questionnaires and by observations and was presented in form of graphs, tables and pie charts. The researcher also used secondary data from company financial statements and working capital management ratios were used to measure the effectiveness of working capital management policies of the organisation. From the research findings, it was established that the results seem to suggest a higher deficiency of an effective working capital management although some attributes of an effective management system were present. The findings showed that there were no documented working capital management policies and the institution was also operating below the acceptable standard of current and acid test ratios. It is, therefore, recommended that LSU should establish clear and well documented working capital management policies that are freely accessible to all employees within the department. The researcher also recommends that the organisation should embrace a total quality management philosophy that is placing working capital management at the heart of both business strategy development and operational decision making. The institution should also use other debt collection techniques such as debt factoring that will encourage debtors to pay as quickly as possible thus reducing the level of bad debts.