

## **RELATIONSHIP BETWEEN WORKING CAPITAL MANAGEMENT AND FIRM'S PROFIT**

A.P.D.M.Patabendige madhushikaap@gmail.com

Department of Accountancy, University of Kelaniya

### **Abstract**

Working capital is a company's surplus of current assets over current liabilities, which measures the extent to which it can finance any increase in turnover from other fund sources (Hill, 2013). Working capital management is a managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses. Many firms of Sri Lanka are facing many problems due to not having proper working capital management system.

This paper reaches for to find the relationship between working capital management and firm's profit of manufacturing companies. A sample of 10 Sri Lanka firms listed on Colombo Stock Exchange for a period of 5 years from 2010 to 2014 was selected. Objectives of this research is to identify main component in current assets and current liability in manufacturing firms, to evaluate working capital management methods in different companies, to identify the relationship between working capital management and firm's profit. Collect data from annual reports of companies and visiting web pages of selected companies. Data is evaluated by using simple regression analysis and correlation analysis. Final conclusion of this research is to identify whether there is any relationship between working capital management and firm's profit and which kind of relationship.

**Key words:** Firm's profit, Working Capital, Manufacturing companies