

Report on Working Capital Management of Hotel Sarina





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Submitted To:

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Letter of Transmittal

School of Business and Economics

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Subject: Working Capital Management of Hotel Sarina

Dear Ma'am,

Here as it the working capital management of Hotel Sarina. In this report I tried to show how Sarina carries their daily operations and manage it.

I identified their process of carrying out daily operations, weather or not they are maintaining efficiency. I have covered all the necessary elements that should be included in this report.

But due to Covid I was restricted to find lot of information. So, I hope that you would be kind enough to consider the limitations of this report.

Thank you for giving me such an opportunity to work with something new in a new platform.

I will be honored to provide you any additional information, if necessary. I would love to express our gratitude for your supportive thoughts and kind consideration.

Yours sincerely

Afnan Islam

Acknowledgement

At first, I would like to place our gratitude to the Almighty Allah the most gracious and merciful for enabling me to perform the task rightly and prepare the report successfully with full endeavor.

I would like to express my sincerest gratitude to the instructor of my report Ms. Nushrat Farzana -School of Business and Economics, United International University. Ma'am offered me continuous guidance and many significant and constructive observations throughout the study. Her support, encouragement and availability to discuss ideas and problems have contributed much in completing our report.

I would also like to thank Hotel Sarina from where I extracted information regarding my report.

Executive Summary

In this report I tried to conduct the Working Capital Management of Hotel Sarina Ltd. Where I have shown and used my practical work experience as a finance intern to analyze the data and interpret the information in descriptive way. Firstly, I tried to collect the necessary information to conduct this research. Then I put the essential financial figures into the required structures to get the desired result. Through this report we can know how Hotel Sarina carries their day-to-day operation. In this report I have included their cash management thus cash holding and disbursement. Then how they manage their account receivables and set their credit policies. Again, when it comes to supplier financing how they purchase and pay for the payables, describes elaborately here. As this report mainly focuses on working capital management, it shows how efficiently Sarina can pay their obligation along with carry out daily expenses to run their business smoothly. Lastly, I tried to show numerically to how their operational efficiency is going on, in terms of monetary values. Where I have exposed their numerical figure to towards some ratio analysis.

Table of Contents

Chapter-01: Introduction	1
1.1 Origin & history:	1
Methodology of Study:	4
Limitation Of the report:	4
Chapter-02: Cash holdings and disbursement	9
2.1 Revenue Generation:	9
2.2 Cash holding of different outlets:	9
2.3 Cash Disbursement:	10
Chapter-03: Inventory Management	11
3.1 Inventory Requisition Process:	11
3.2 Pricing and Reorder Point:	11
3.3 Cost of holding inventory:	12
3.4 Economic Order Quantity:	13
3.5 Monitoring the Inventory:	14
3.5.1 Inventory Turnover Approach	14
3.5.2 Balance Fraction Approach	15
3.5.3 FIFO Approach	16
Chapter-04: Accounts Payable management	17
4.1: Supplier Payment Policy:	17
Chapter-05: Accounts Receivables Management	18
5.1 City Ledger	18
5.2 Process of collection	18
5.3 Managing the credit policy	18
Chapter-06: Ratio Analysis for operational Efficiency	20
Chapter-07: Conclusion & Findings	21
Conclusion:	21
Findings:	22
Recommendation:	22

Chapter-01: Introduction

1.1 Origin & history:

Hotel Sarina is originated at Chittagong city where it was named as Sarina Inn Limited. Which I then hand overed to Mr. Golam Sarwar who is the current owner of Hotel Sarina Limited.

It is the first privately owned 5-star boutique Hotel in Dhaka came into operation in 2003. The Hotel is located near the diplomatic zone and shopping arcade at main approach road of Banani, Dhaka. A 30-minute drive from Shahjalal International Airport, the hotel is located at a unique place for comfortable accommodation and convenient visit to any part of the city within a short time. It has 201 luxury rooms, 1 imperial suit and 10 exclusive suits, 3 banquet halls, valet and laundry services, restaurants, bar, club lounge, coffee shop, business center, car rental, fitness club, swimming pool, safe deposit lockers, distinctive lobby lounge and 24- hour room and restaurant service.





Government of the People's Republic of Bangladesh

National Board of Revenue

Taxpayer's Identification Number (TIN) Certificate

TIN : 718409496726

This is to Certify that **HOTEL SARINA LIMITED** is a Registered Taxpayer of National Board of Revenue under the jurisdiction of **Taxes Circle-052 (Company)**, Taxes Zone **03, Chittagong**.

Taxpayer's Particulars :

- 1) Name : **HOTEL SARINA LIMITED**
- 2) Registered Address/Permanent Address : **721,C D A Avenue,Nasirabad, Punchlaish, Chittagong**
- 3) Current Address : **Plot # 25 &27,Road #17,Banami C/A Dhaka-1213, Banani, Dhaka**
- 4) Previous TIN : **3402005756**
- 5) Status : **Company**

Date : January 26, 2014

Please Note:

1. A Taxpayer is liable to file the Return of Income under section 75 of the Income Tax Ordinance, 1984.
2. Failure to file Return of Income under section 75 is liable to-
 - (a) Penalty under section 124; and
 - (b) Prosecution under section 164 of the Income Tax Ordinance, 1984.



Deputy Commissioner of Taxes

Taxes Circle-052 (Company)

Taxes Zone 03, Chittagong

Address : 2nd Govt Building (3rd floor), Beside Jambul
Field, Agrabad, Chittagong Phone : 031-722381

N. B: This is a system generated certificate and requires no manual signature.



ঢাকা উত্তর সিটি কর্পোরেশন, ঢাকা
রাজস্ব বিভাগ (বিকল্প-৩)
গুলশান-২, ঢাকা
ফোন ১-৯৮৮৩৩২২



লাইসেন্স ইস্যুর বিবরণ		
ওয়ার্ড নম্বর	ইস্যুর ক্রমিক নম্বর	ইস্যুর তারিখ
০৯	৫৭০	২/৮/১৫

ট্রেড লাইসেন্স
(TRADE LICENCE)
No: 03-068870

স্থানীয় সরকার (সিটি কর্পোরেশন) আইন ২০০৯-এর ধারা ৮৪-এর শর্ত প্রকরণে সরকার প্রদীত আদেশ কর তফসিল ২০০২ এর ৬ নং অনুচ্ছেদ অনুযায়ী পেশা, ব্যবসা-বাণিজ্য এবং স্বীকৃত পেশার উপর আরোপিত কর আদায়ের লক্ষ্যে নিম্ন বর্ণিত ব্যক্তি/প্রতিষ্ঠানের অনুকূলে এ ট্রেড লাইসেন্স ইস্যু করা হলো। যার কার্যকারণের মেয়াদ ৪ এবং এ পুষ্ঠায় উল্লিখিত সমস্ত পর্যন্ত বলবৎ থাকবে।

১। মালিকের নাম	১।	গোলাম আলমার
২। পিতা/স্বামীর নাম	২।	শ্রী: গোলাম আজহার হোসেন
৩। মাতার নাম	৩।	শ্রী: সফাতুন নেসা হোসেন
৪। মালিকের ঠিকানা	৪।	
বর্তমান বসবাসের ঠিকানা		
হোজিং নং	৪।	স্থায়ী/বেকিংস্টার্ট ঠিকানা
রোড নং	৪।	হোজিং নং/গ্রাম
ধানা	৪।	জেড নং / পোস্ট অফিস
ঢাকা (পোস্ট কোড)	৪।	ধানা
		জেলা
৫। ব্যবসা প্রতিষ্ঠানের নাম	২।	হোটেল গার্লিনা মি:
৬। পরিশোধিত মূলধন (লিঃ কোম্পানীর ক্ষেত্রে), টকা	২।	
৭। ব্যবসা প্রতিষ্ঠানের ঠিকানা	২।	প্লট-২৫ ও ২৭ রোড-১৭ বনানী চক-১২৯
ফোন ও ই-মেইল (যদি থাকে)	২।	
৮। ব্যবসার ধরণ	২।	ফরাসি হার হোটেল
৯। আদর্শ কর তফসিল ২০০২ এর ক্রমিক নং	২।	
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	৩।	কম্পার ১০০০০/-
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লাইসেন্সধারীর নিকট হতে সকল বকেয়া পাওনা বিবিধ রশিদ মাফের তার তারিখের মধ্যে এবং এর মাধ্যমে সাপায় করা হয়েছে।
(সাইনসেট) ২২/৮/১৫ নম্বর সি.সি.আর. বইয়ের ২২/৮/১৫ পুষ্ঠায় লিপিবদ্ধ করা হয়েছে।

লাইসেন্স ও নিয়ন্ত্রণ সুপারভাইজার
(নাম ও পদবীসহ সীল)
বজলুল মোহাম্মদ
লাইসেন্স ও নিয়ন্ত্রণ সুপারভাইজার
অফিস-৩ (মহানগরী)
ঢাকা উত্তর সিটি কর্পোরেশন

০২/০৮/১৫
মোঃ শাহরুল ইসলাম সেওয়ান
কর কর্মকর্তা (অঃ দায়)
অফিস-৩ (মহানগরী)
ঢাকা উত্তর সিটি কর্পোরেশন

ব্যবসা প্রতিষ্ঠানের সাইন বোর্ড
বালয় লিখা বাধ্যতামূলক

Methodology of Study:

I used qualitative analysis to conduct this report. Primarily:

- I asked question from the employees
- Read their documents for essential information
- Also, through working as intern I was exposed to their financial activities

Also, secondarily:

- I researched by their website
- Learned through their events publishment

Limitation Of the report:

- As they have a popular local business, it was not possible to collect all the financial data.
- I had to work with some figures(numerical) only.
- I was restricted to publish their balance sheet or any financial analysis.
- Access of top management was confidential.

Literature Review

Working Capital management basically refers to the management of capital an organization use to run their daily operation.

According to *Stutely*, working capital is simply the difference between current asset and current liability. (2003, p.276)

Where *Higson* mentioned, working capital is daily inventory management, account receivable related and payable related activities.

So, it can also act as a tool to maintain enough balance for an organization to pay its debt or meet short term goals. It's a risk survival tool. However, there are few components of working capital.

First one is Inventory. Now how it is connected to working capital? Well, if a firm hold more inventory than requires then it won't be able to pay bills. Again, if it sells all of its inventory then firm won't be able to meet customer requisition.

Second one is account payable and receivable. Where if firm pay quickly to their clients, then there will be more cash outflow that will affect the firm negatively. But converting credit sell into cash is important as it ensures the cash inflow and will help the firm to finance their daily operation. So, it's a matter of balancing these components according to the need of the organization. Where our main focus will be achieving short term goals thus smoothly carrying out daily operation.

Now if we focus on calculating working capital, we can simply calculate the amount of current asset and liability we have then subtract the current asset from the current liability. And we definitely know the condition of the firm by the result of it. Whether firm has enough current asset to cover the obligation of it or they need more cash to meet daily operation, is going to be ensure by that. However, it is not as simple as that always. Every organization is different and based on their size and operation it requires more calculation to get the job done.

Here, current asset includes cash, account receivables and current liabilities include all the payable accounts. To measure these aspects here are some metrics we need to keep in mind:

Firstly, DSO (Days Sales Outstanding): which are the average days it takes for clients to pay their invoices.

Secondly, DPO (Days Payable Outstanding): the average days it takes for the firm to pay back its suppliers.

Lastly, the cash conversion cycle which refers, the average time it takes for a firm to convert its investment in inventory to cash.

Apart from these metrics, to learn either the firm is operating efficiently or not, ratio analysis can be an effective method. Which the quantitative method of learning about firm's operational efficiency. That Includes:

Asset turnover: whether or not a firm is using its asset efficiently to generate sales. It acts as supportive information for the investor if the firm is doing good or not.

Formula:

$$\frac{\text{Total Asset}}{\frac{(\text{Beginning assets} + \text{Ending Assets})}{2}}$$

There's one related to inventory. Inventory turnover ratio that reflects how well company manages cost with its sales efforts. Generally higher the inventory turnover the better it is. Also it shows how the inventory and purchase department are in sync. Higher inventory also indicates higher demand for products and firm misses out selling opportunity. So a good balance between purchasing it and selling products are necessary.

Formula:

$$\frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

Again, Receivable turnover that shows how efficiently a firm is getting its payment from customers. It measures to quantify the effectiveness of collection of firm's debt from its customer.

Formula:
$$\frac{\text{Net Credit Sales}}{\text{Average Account Receivables}}$$

Finally Account payable turnover that indicates how many times a firm pays off its accounts payable during a period. As it is related to short-term debt, it shows how efficiently firm is paying its suppliers and other short-term debts.

Formula:
$$\frac{\text{Total Supply Purchase}}{\frac{(\text{Beginning accounts receivables} + \text{Ending Accounts receivables})}{2}}$$

2

Apart from that to know if a firm is able to pay off its short-term debt or not, liquidity analysis thus ratios are a significant tool. Which includes current ratio, quick ratio and working capital ratio.

So, these are the tool to quantify whether a firm is operating efficiently or not. But even after getting the desired result, an organization has to follow a pattern or some activities to manage the components of its working capital. And if there are problems related these components then how we can minimize it. To learn and manage, we have to follow some approaches.

Here we can see about inventory management. Where from inventory requisition process to pricing and reordering point everything maintains in some fixed steps. If it doesn't work for the firm then they will change it to minimize loss and to gain efficiency. But to know in which point or at what rate is the optimal or economic order quantity, we have to measure by using the formula.

$$EOQ = \sqrt{\frac{2 \times T \times F}{H}}$$

Where, T= total cost, F=fixed cost and H= holding cost of inventory.

Now to gain EOQ, we know, we have to improve our inventory turnover. And to do that there we can use balance fraction approach. It shows the trend of inventory and how the sales work.

Month of Purchase	Purchase Amount	January	February	March	April
January	100tk.	50%	15%		
February	100		50%	15%	
March	100			50%	15%

As we can see in every month 50% purchase is at the end of the month and 15% remaining over the next month, so we can see a trend here. This analysis also suggests that the accumulation of the inventory won't conflict with reduced sales or cost of goods sold. That used by the management to adjust with new lowest sale.

Apart from inventory, firm has to manage its payable and receivables to maintain efficiency. Where they need to concern about supplier payment policy and collection credit sales from customers. It can vary in different organization. But choosing the right one for every organization is important.

To manage supplier financing to credit sales first thing an organization has to do is managing cash holdings and disbursement. Where disbursement is related to cash flow. It is also a record of day-to-day expenses. If cash flow is negative, it means disbursement is higher than revenue. Which shows insolvency of the firm. In that case, their has to be some mechanism to follow by the firm to run this operation seamlessly. It can be *Controlled disbursement* or *Delayed Disbursement*.

In Controlled disbursement, that allows the firm to review and reset it according to daily operations where it gives the opportunity to earn or maximize the cash on hand by delaying the precise time an amount of money has been taken out from the account.

In Delayed Disbursement, the entire process has deliberately dragging out the payment to a remote region and disbursement happen from that region to other departments or outlets. That's why it takes time and get delayed.

So, the form of disbursement varies between different type of organization.

Chapter-02: Cash holdings and disbursement

2.1 Revenue Generation:

In case of Hotel Sarina Ltd., they basically generate revenue by specific sources. Which are through check-in guests, events they organize, coffee shop(street17), from three food outlets (Risotto, Amrit, Summerfields). And they have two bars as well. Apart from that if guest ask demand something like first aid kit, or any particular item then it will be delivered to them on request.

2.2 Cash holding of different outlets:

Every outlets and bars hold specific amount of money to bear day to day need and they have to keep the record where they are spending the money. Here is the cash holding receipt:

Cash Holdings	
Street17	20,000
Summerfield	50,000
Amrit	50,000
Bar-I	15,000
Bar-II	15,000
Total	= 1,50,000

2.3 Cash Disbursement:

Generally, accounts department does the daily disbursement. So, if any allowance needed or expenses needed then other departments ask from accounts. And for this other department need to carry any voucher or order signed by finance controller, in case of vouchers for inventory signed by FC, Security department and directors.

After having the necessary signed documents employees directly goes to the accounts and according the amount needed accounts pay the amount.

Another type of cash disbursement happens when customers need refund. Then once it is varied from the sales executive then accounts department need to refund the amount in the client account.

Chapter-03: Inventory Management

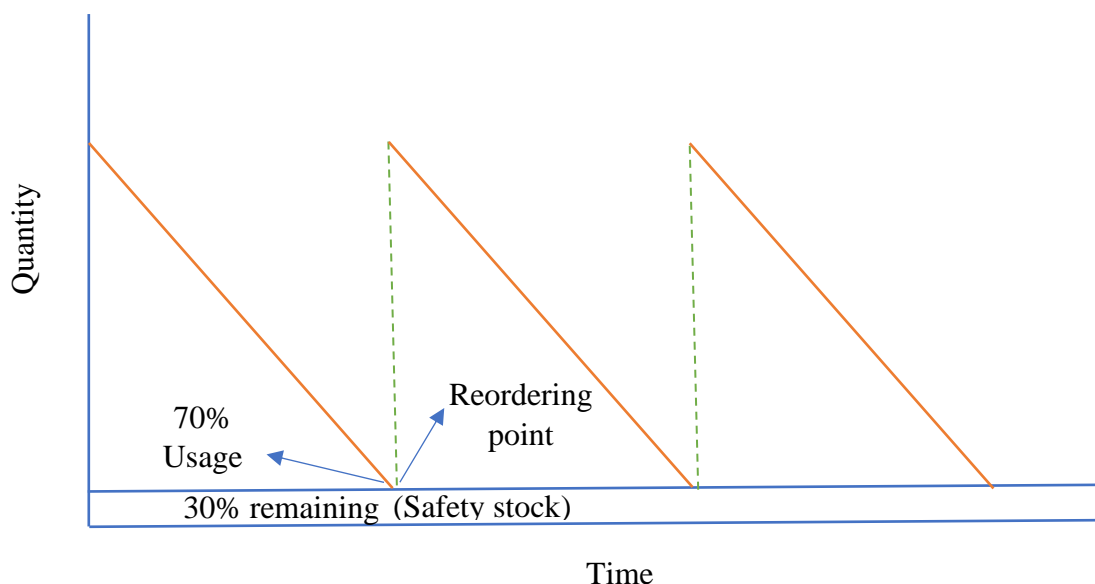
3.1 Inventory Requisition Process: In Hotel Sarina Ltd., the inventory requisition process depends on the upcoming events they have and checked-in guests they currently have.

Hotel Sarina has three outlets and two bars. And the chefs and manager of every outlet begin the requisition process. At first there will be written documents from every outlets of the inventory they need for daily operation that goes directly to inventory and purchase department. Then from this department an official document as a proposal has been established. Which is also signed by finance controller of Hotel Sarina. Then finally inventories are being purchased by some selected suppliers. Where Hotel Sarin has signed different suppliers across the country and globe to buy specific and unique inventory to satisfy the diverse need of its customers.

3.2 Pricing and Reorder Point:

Hotel Sarina Ltd. Keep their pricing rate fixed at the beginning of the month. Suppose if they fix a piece of imported capsicum at Tk. 50 then the supplier will be delivering capsicums at the fixed rate for the entire month. So, it really varies from time to time and negotiation between purchase manager and supplier.

But when it comes to reordering inventory, they try to reorder it when the inventory is 30-40% remaining at their storage.



3.3 Cost of holding inventory:

As we know to hold inventory there will be a cost. In Hotel Sarina Ltd. They have insurance policy to reduce loss. In this case the insurance expense refer as cost of holding inventory. Apart from that there's storage costs included utility, freezer to freeze perishable goods.

As they order their inventory as per demand of guests and for events need, let's make an assumption of inventory for a particular type to calculate the total cost of holding inventory.

Suppose, they require rice on daily basis. That includes normal rice as staple food also for their different outlets like risotto rice, basmati rice.

Here,

T= Total Inventory Units demanded

Q= Order quantity= 5000kg

F=Fixed order cost = 63per kg

H=Holding cost per inventory unit= 106tk per kg

$$TC_{\text{inventory}} = (F) \left(\frac{T}{Q} \right) + (H) \left(\frac{Q}{2} \right) = 63 \left(\frac{4550}{5000} \right) + 160 \left(\frac{5000}{2} \right) = 57.33 + 400,000 = 400,057.33\text{tk}$$

3.4 Economic Order Quantity:

We know that, order quantity that minimizes the cost of total cost is referred as EOQ or economic order quantity. And this optimization process results in the following equation:

$$EOQ = \sqrt{\frac{(2)(T)(F)}{H}}$$

Where, T = total inventory unit demanded (on annual basis)

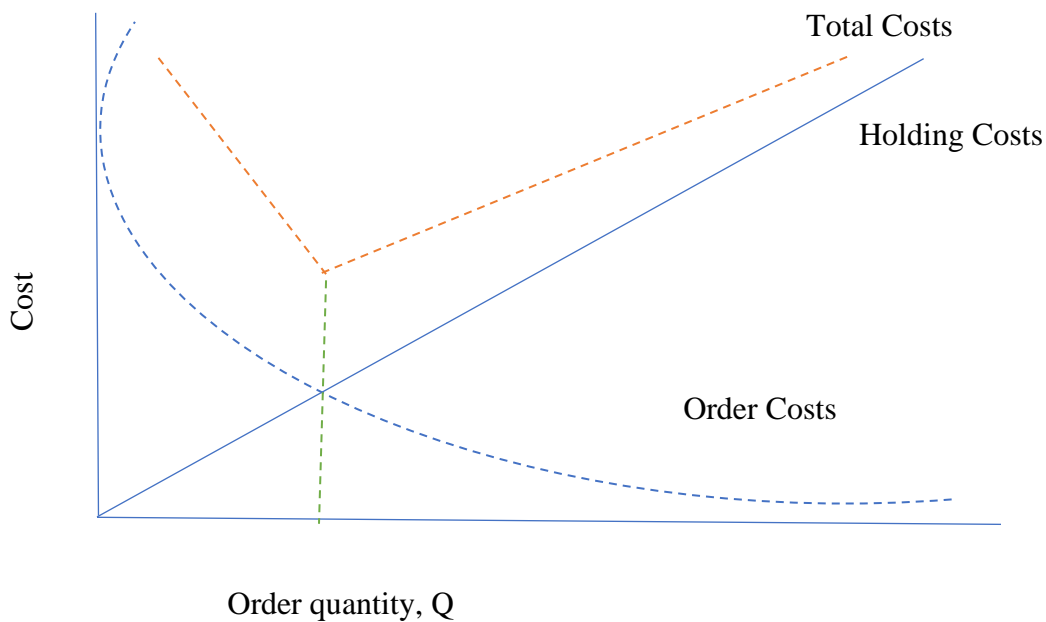
H = Holding cost per unit

F= per ordering cost

$$EOQ = \sqrt{\frac{2*54,600*63}{160}} = 207.35 \text{ or } 207\text{kg.}$$

So according to our previous assumption if we want to minimize cost then Sarina has to order 207kg per order.

To show it in a graphical way, we can see the trade off between ordering costs and holding costs:



So, as we can predict from the graph that in order to gain optimal order quantity to gain efficiency and minimize loss, we have to adjust ordering cost and holding cost. That's why there's a trade off between these two. If one is higher than it has to cut down lower to gain that EOQ point where holding cost and ordering cost meets its desired point and crosses each other.

3.5 Monitoring the Inventory:

Now that we know our EOQ, we need to think about monitoring our inventory balance.

There are couple of methods for that.

3.5.1 Inventory Turnover Approach

As we learned that inventory turnover approach refers the average days it takes to turn the inventory into cash. Which will give us a good grip on how to manage our inventory to make production run smoothly and gain profit.

Here, COGS= 3,330,427(annual)

Beginning inventory= 54,600(assumption)

Ending inventory = 33,400

$$\text{DSI (daily sales inventory)} = \frac{44,000}{3330427} * 365 = 4.8 \text{ or } 5 \text{ days.}$$

So, it takes 5 days in average to turn the inventory into sales.

3.5.2 Balance Fraction Approach

Apart from inventory turnover approach, to monitor inventory or its trend some firm use balance fraction approach. If we use it to analyze the trend of inventory of Hotel Sarina Ltd. Then we can keep calculating the usage and remaining of inventory they have at the end and beginning of a month. Let's assume they are monitoring one-time usable cutlery.

Month Of Purchase	Amount	January	February	March	April	May
January	2000tk.	1500	500			
February	3000		2000	500	500	
March	2500			1500	500	500
April	3000				1500	1500
May	2000					1500

Here we can see the trend of ending inventory 500 in most of the months then we can also see the 1500 remaining for next month. In this case as per demand we can reduce the cost of buying inventory.

3.5.3 FIFO Approach

Usually for perishable goods, Hotel Sarina Ltd. Use FIFO approach to monitor inventory and use it. FIFO refers as first-in, first-out. Mostly food items are used based on FIFO. Where employees are storing perishable goods and when it comes to production, they use the first item they put in the storage.

A simple table will help us understand better. Suppose the transaction of mangoes in case of inventory management.

Quantity(kg)	500	price	50tk per kg
Quantity	600	price	80tk per kg
Quantity	550	price	60tk per kg

Now if they need to use 300 kg mangoes in case of production then they will take it from the first 500 quantity. Where $300 * 50 = 15,000\text{tk}$.

Chapter-04: Accounts Payable management

4.1: Supplier Payment Policy:

Hotel Sarina Ltd. Pay their supplier within 10days of delivering the raw materials. And when it comes to the rate, they fix a specific rate for each material one month earlier. But if the suppliers want to change the rates, then they will negotiate it after one month of supply.

Generally, Sarina tries to pay their supplier on time but if they can't, they make sure the payables are done within 40 days of getting the supply on hand. And as they set a specific rate, so suppliers don't give any more discounts even they purchase in bulk quantity.

Apart from that, if a particular supplier wants any specific requirement regarding payment, then it will be reviewed by the head of finance then they finalize the deal.

Chapter-05: Accounts Receivables Management

5.1 City Ledger

City ledger is the collections of accounts for non-registered guests. Which is different from the guests who is currently registered. The main difference is guests those are associated with some companies or organization, basically that organization signed for that particular guests to pay for their stay at the hotel.

Here, organizations are mainly committed to pay the hotels. So, hotels basically make a document for the clients they have right now associated with the organization. Where they record all the detail expenses of guests to ask the payment from the organization later.

5.2 Process of collection

The collection process starts after the guests go for check-out. Firstly, before the guest arrival, organizations send a formal letter to Sarina that they are willing to let their guest stay in the hotel and they share their payments and timing which should meet the term and policy Sarina has for city ledgers. If condition matches between two parties, then they lock a deal and according to that at the end of the time period,

5.3 Managing the credit policy

Now to agree for credit sale or weather an organization is perfect fit for the holder of city ledger, they have to agree with some terms and policy.

APPLICATION FOR CREDIT FACILITY

Name of Company: _____
Registered Office Address: _____
Company Tel. No. _____ Fax No: _____
Name of Owner: _____
Nature of Business _____
Invoice Mailing Address: _____
Accounts Payable Contact Details Name: _____ Mobile No. _____
Fax No: _____ E Mail Address: _____
Senior Finance Person Contact Details Name: _____ Position: _____
Forecasted Monthly Business with the hotel BDT _____
Trade References: (Names of Hotels in which you have credit facility already)
Reference: 1: _____ Telephone: _____
Reference: 2: _____ Telephone: _____
Reference: 3: _____ Telephone: _____

Please attach following documents along with the application

- (1) Trade License Issue Date: _____ Valid until: _____
- (2) Registration with Chamber of Commerce
Registration Date: _____ Valid Until _____
- (3) Bank Reference (Letter from your bank addressed to the hotel with account status)

Authorized Signature

Name: _____ Designation: _____ Signature: _____
Name: _____ Designation: _____ Signature: _____

After collecting all the information written in the document, Hotel Sarina either block some amount of money as a security money or they give a specific period to pay the amount to the organization.

Chapter-06: Ratio Analysis for operational Efficiency

Now we will take some figures from Hotel Sarin's balance sheet to know its operational efficiency.

- Current ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{3,300,478}{2,442,567} = 1$
- Quick Ratio = $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} = \frac{3,300,478 - 2,00,345}{2,442,567} = 1$

As both their current and quick ratio is 1, it means they have the ability to meet their liabilities on time in daily basis.

- $\text{DSO} = \frac{\text{Average A/R}}{\text{Credit Sale}} * \text{Days} = \frac{356677}{5,00,345} * 30 = 21 \text{ days}$
- $\text{DIH} = \frac{44,000}{3330427} * 365 = 4.8 \text{ or } 5 \text{ days.}$
- $\text{DPO} = \frac{\text{Accounts Payable}}{\text{COGS}} * \text{days} = \frac{2,034,000}{3330427} (365) = 223$
- $\text{CCC (Cash Conversion Cycle)} = \text{DIH} + \text{DSO} - \text{DPO} = 5 + 21 - 223 = -197$

As we can see Hotel Sarina's CCC is negative. It means they can successfully convert their investment into sales and generate cash flow quickly. And they are able to gain operational efficiency.

Chapter-07: Conclusion & Findings

Conclusion:

Hotel Sarina has developed their business in many ways and with that their business is expanding day by day. They are adding different elements to make it run smoothly. They are continuously changing their patterns in case of day-to-day operation. In this report I tried to mention their whole process regarding their financial operation. But their financial activities are not just limited to their finance & accounts department. The sale associates, Food & beverage associates, room & guest in charges are both included in that. Firstly, these associates deal with the clients initially for financial transaction. After that it's reported to the finance associates. Where in case of purchase and store, security team is their coordinating department. Where every product and inventory are checked very carefully by the security team for the purpose of everyone's safety. However, finance controller actively looks after financial activities.

Findings:

- Their Purchase and store department is included in finance department.
- They accept city ledger without security payment.
- They don't include bars revenue into their balance sheet.
- They don't include depreciation in their balance sheet anymore.

Recommendation:

- As we know if depreciation is not included in their record, then fixed assets won't be considered when it comes to setting sale price. So, it's necessary for them to include it.
- As hotel industry do lot of purchasing to supply their customers, lot of activities occurs on daily basis. So, it needs a separate identity. Where they have more people and authority to run the operation smoothly. So, Sarina needs to add more work force to their purchase department and need to make it a separate department to lower the work pressure.
- They earn a good amount of revenue from bar which is not included in their balance sheet. It can affect their business as bars are also affecting their daily operation and they are investing their time and effort in that. Not recording this revenue may result in lower profit earning.
- Before allowing credit sale they need to make sure of the security payment. Because it can bring losses for the business. Where the organization to whom they are granting city ledger may not pay them in future or maybe they can do fraudulent act. That may rise the problem of litigation.

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