

THE IMPORTANCE OF CASH PLANNING TO SMALL
MANUFACTURING INDUSTRIES IN KUCHING, SARAWAK.

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ABSTRACT

Quite a number of studies have been done on small industry in Malaysia but none is done especially on cash planning of these industries. The author feels that cash planning is vital for companies to manage its working capital appropriately. Most small companies take for granted that proper cash planning can help them to meet their financial obligations as and when they fall due and also can help them to plan for expansion of their business.

Informations regarding the sample companies are obtained from the Ministry Of Industrial Development, Sarawak State Government. Most of the data collected are from personal interview with managers of sample companies and the questionnaires answered.

It is hoped that the reader enjoy reading this project paper and it may be useful to managers of small manufacturing industries (SMI) in Kuching Sarawak, eventhough it is not a representation card to give a general view of SMI in Kuching.

The introduction and literature review are discussed in Chapters 1 and 2 of the study. A description of how the study was made follows in Chapter 3 and the analysis, conclusion and recommendations are presented in Chapters 4 and 5 respectively. Supporting material will be found in appendices A through C.

CHAPTER 1

INTRODUCTION

Interpretation of titles.

Cash Planning

Cash planning may be defined as the management process of estimating for a specified period in the future all sources and uses of cash available to a business. 1

The definition that will be used in this study describes cash planning as a written rather than a mental estimate of future expectations concerning the cash funds of a company. That is to say, the term 'cash planning' will be used in the formal sense of committing the forecast and plan to a ~~paper~~ report.

The cash budget is simply ~~a~~ ^{an} forecast of cash receipts and disbursements against which actual cash experience is measured. Whether called a budget or not, this forecast is perhaps the most important single tool of business control. Companies often fail for lack of cash and more often from this cause than for lack of profitsthe availability of cash to meet obligations as they fall due is the first requirement of business existence, and it does a firm little good to show handsome profits if these are tied up in inventory or machinery or other non cash assets. Cash budgeting can also show when the company will have available excess cash, thereby making possible planning for investment of this cash in profit making activities. 2

1 Joseph C. Schabacker. Cash Planning in Small Manufacturing Companies. (Small Business Administration, 1960) P.23

2 Ibid. 1