

Corporate Finance Assignment



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I. Introduction

1. Working Capital Management:

- Decisions relating to working capital and short-term financing.
- Determining the optimum balance for each of the current asset accounts and deciding what mix of short-term debt, long-term debt and equity to use in financing working capital.
- Working capital management decisions are usually fast-paced as they reflect the pace of the firm's day-to-day operations.

2. Vinamilk



- The biggest dairy, the sixth largest company in Vietnam.
- The company was established in 1978.
- The principal activities are produce and distribute condensed, powder, fresh, ultra milk, yogurt...
- Main competitors: Dutch Lady Vietnam, Harte Vietnam, Aikoh...



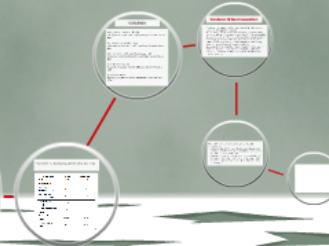
II. Case Study

1. Strategies:

- Decision to impair the value of inventories which fulfils the Government requirement.
- Vinamilk has identified, built and developed its supply chain into a competitive advantage.
- The company constructs many farms which raised cows and are expanding in scale as well as modern technology.
- They always apply the best methods to reduce inventory level while still meet customer service at the highest level.
- ⇒ In conclusion, Vinamilk has been using just-in-time inventory management very well.

2. Analysis of differences

	2014	2015	2016	2017
Revenue	2,254,412	2,754,412	3,254,412	3,754,412
Cost of Sales	1,254,412	1,354,412	1,454,412	1,554,412
Gross Profit	1,000,000	1,400,000	1,800,000	2,200,000
Operating Expenses	800,000	900,000	1,000,000	1,100,000
Operating Income	200,000	500,000	800,000	1,100,000
Net Income	150,000	350,000	600,000	850,000



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2. Vinamilk:



- The biggest dairy, the 15th largest company in Vietnam.
- The company was established in 1976.
- The principal activities are produce and distribute condensed, powder, fresh, soya milk, yogurts...
- Main competitors: Dutch Lady Vietnam, Nestle Vietnam, Abbott...



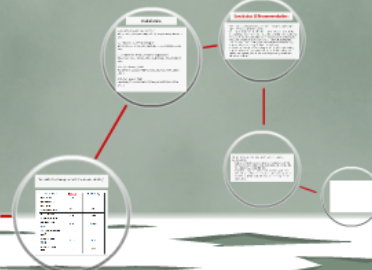
II. Case Study

1. Strategies:

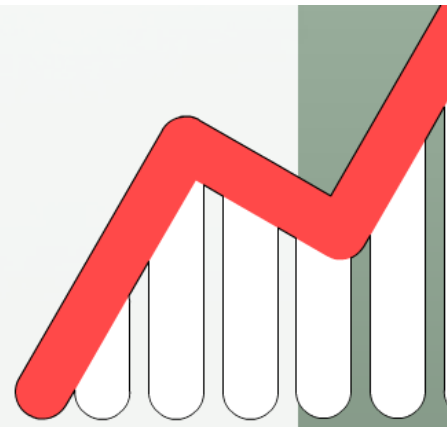
- Provision to impair the value of inventories which follows the Government requirement.
 - Vinamilk has identified, built and developed its supply chain into a competitive advantage.
 - The company constructs many farms which raised cows and are expanding in scale as well as modern technology.
 - They always apply the best methods to reduce inventory level while still meet customer service at the highest level.
- ⇒ In conclusion, Vinamilk has been using just-in-time inventory management very well.

2. Reduce the effect of losses:

	2014	2015	2016	2017	2018
Revenue	1,121,122	1,211,111	1,311,111	1,411,111	1,511,111
Cost of Sales	711,111	761,111	811,111	861,111	911,111
Gross Profit	410,011	450,000	500,000	550,000	600,000
Operating Expenses	111,111	121,111	131,111	141,111	151,111
Operating Income	300,000	330,000	370,000	410,000	450,000
Net Income	200,000	220,000	240,000	260,000	280,000



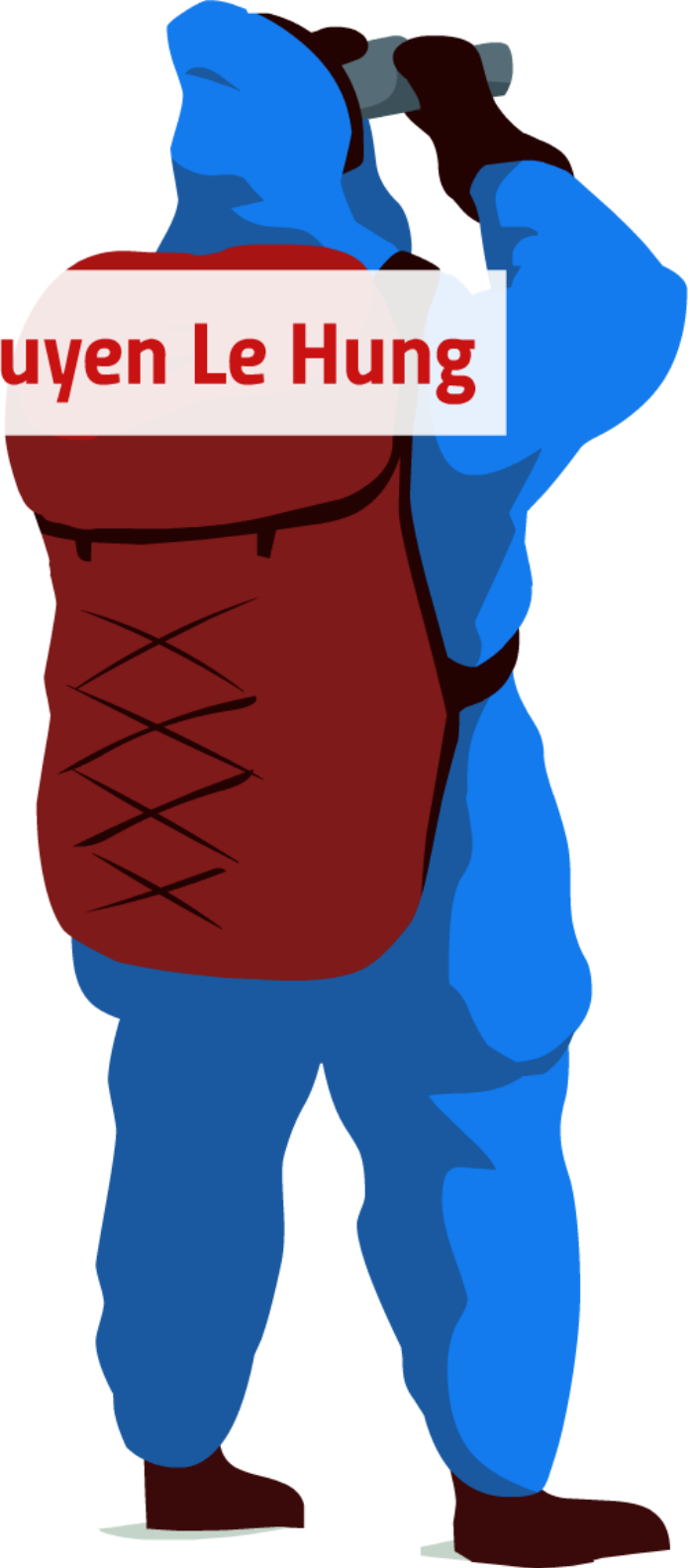
Assignment



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Conclusion & Recommendation:

- The study shows that profitability of manufacturing firms depends upon effective working capital management.
- Gross operating profit on the other hand is negatively correlated with the cash conversion cycle. This means that by shortening CCC, firm's profitability improves. The longer the CCC, the more firm must invest in working capital.
- The study therefore concludes that there is a relationship between the various components of working capital indicating that effective working capital management has a great impact on profitability.
- In conclusion, Vinamilk is definitely a typical model of successful working capital management. The managers did a great job and owing to their efficient management, Vinamilk has been always staying ahead in the difficult competition.



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