



University of Economics, Prague

Faculty of Finance and Accounting

Study programme "Finance and Accounting"

Master Thesis Evaluation

Reviewer form

Student name: *Yulia Davydova*

Title of the thesis: *Working capital management – the example of the handling company*

Year of the defence: *2018*

Supervisor name and affiliation: *doc. Ing. Karel Brůna, Ph.D. (Department of Monetary Theory and Policy; Institute chief official and Associate Professor)*

Reviewer name and affiliation: *Ing. Ondřej Šíma (Department of Monetary Theory and Policy; Assistant Instructor)*

THESIS CONTENT SUMMARY:

Yulia Davydova's thesis focuses on analysing the example of the Czech branch of the multinational company (the name of the company is not disclosed in the thesis), which operates in the area of logistics (the leasing of pallets, containers and similar handling solutions). The main purpose of the thesis is to define if the way the company manages its working capital is efficient and appropriate.

The master thesis consists of three chapters. First chapter is dedicated to liquidity management. Miss Davydova acquaints readers with the concept of liquidity management and chiefly the elements of working capital (p. 3). In subsequent subchapter the author describes static measures of liquidity (i.e. ratios such as quick ratio, cash ratio etc.), then dynamic measure of liquidity. Yulia Davydova does not omit to touch on the drawbacks of these ratios (p. 13).

The second chapter also deals with working capital. However, the author put working capital management in the broader context compared to the first chapter. Ms. Davydova introduces two perspectives of working capital ("classical", p. 14, and "modern", p. 20; see also their applications in Table 2, p. 33 and 34). The chapter ends up introducing international point of view on management of working capital (p. 23), i.e. cash pooling and netting.

The third chapter employs information and recommendations from previous chapters and applies them to the Czech branch of the company. The analysed period spans 11 years, 2006–2016, so there are many references to 2008 financial crisis and its impact on the company's branch. After introducing the branch Ms. Davydova carries out the analysis of working capital management in the branch (including liquidity ratios, the cash conversion cycle and Altman's Z-score analysis). The third chapter finishes with the subchapter focused on working capital management of the company on

international level. In diploma's conclusion the author mentions ups and downs of company's working capital management.

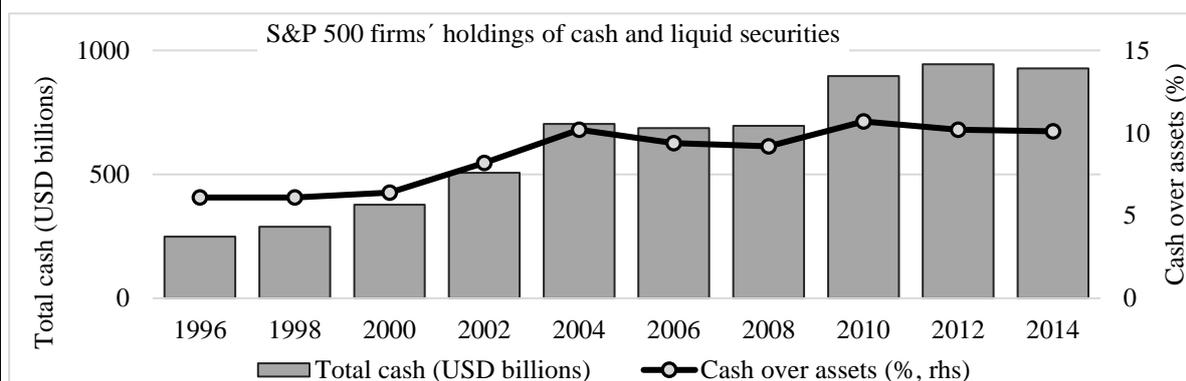
OBJECTIONS AND REMARKS:

However the author uses a lot of numbers, formulas (ratios...) and tables, she does not offer clear-cut overview – sometimes it is a little bit puzzling. In spite of the company's international activities Ms. Davydova does not make deeper reference to exposure to exchange rate fluctuations (transaction, economic and translation exposure) or at least long and short positions. The author should have used more own figures and not only print-screens (even for simple exhibits and diagrams, see second chapter).

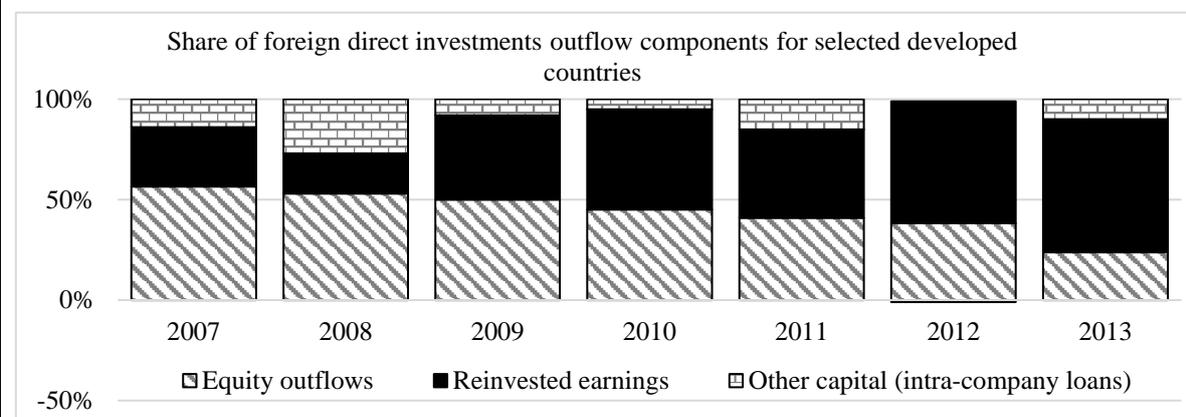
Despite some mentioned drawbacks the diploma thesis gives very good impression and makes readers find more information about working capital management.

QUESTIONS FOR THE DEFENCE:

1) You quote very often (for example p. 1, 6, 15, 17...) that there is a balance between how many liquid assets and some other balance sheet's items a company should hold. You mention pros and cons and various points of view. Can you explain why there was a quite high increase of cash holdings among many MNCs after 2008 financial crisis? Figures below give you a hint.



Source: Campello, M. Corporate Liquidity Management. *NBER reporter* [on-line]. Cambridge (MA): National bureau of economic research, Number 3, 2015, p. 16-18 [retrieved 2018-01-03]. <http://www.nber.org/reporter/2015number3/campello.html>.



Source: UNCTAD. Investing in the SDGs: An Action Plan (Global investment trends). *World investment report* [on-line]. New York and Geneva: United Nations, 2014, p. 6. [retrieved 2018-01-03]. http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf (see also p. 31, Figures I.29 and I.30 for further statistics). Do not focus on foreign direct investment (it is not important for your diploma thesis).

- 2) What do *long* and *short position in foreign currencies* mean?
- 3) What is your and the company's (or the branch's) opinion about adopting the euro in the Czech republic? For example Czech government has approved the joint recommendation of the Ministry of Finance of the Czech Republic and the Czech National Bank not to set a target date for adopting the euro in the Czech Republic yet (published 2017-12-22). Is it good or bad for the company? Why?
- 4) You employ Z-score model developed by professor E. Altman (p. 11 and 44). What do you think about "rigid" parameters β (6,56; 3,26; 6,72; 1,05)? Are they suitable and valid "forever"?

| ASSESSMENT: | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Criterion | Excellent | Very good | Good | Insufficient |
| Aim formulation and fulfilment | <input type="checkbox"/> | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Work with literature | x | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Methods and data used | <input type="checkbox"/> | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Results and their discussion | <input type="checkbox"/> | x | <input type="checkbox"/> | <input type="checkbox"/> |
| Formal aspects | x | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Suggested overall grading: 1 – Excellent/2 – Very good | | | | |

Prague, 6th January 2018

Signature