**Course Descriptor**

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| Title of the course | **Working Capital Management** |
| Title of the Academic Programme  | Master’s programme, “Finance” |
| Type of the course  | Elective |
| Prerequisites | Corporate finance, Financial Analysis / Financial Modeling |
| ECTS workload | 4 |
| Total indicative study hours | Directed Study | Self-directed study  | Total |
| 40 | 112 | 152 |
| Course Overview | The general objective of the course is the creation and development students’ competences in working capital analysis and modelling within the financial system of an enterprise. It is aimed at the creation of competencies in the following areas:To know: modern concepts of working capital management, basic models and principles of decision-making in liquidity and enterprises’ funding with operating assets, tools for managing and taking optimal decisions.To be able to: analyze the working capital structure, cycle and cash flows dynamics, to develop models of cash flows and other elements of working capital in situations of certainty, uncertainty and risk, to develop short-term financing and budgeting models.To acquire skills in dealing with financial and managerial reporting, problems solving, evaluating needs and cost of financing operations and choosing the optimal source, constructing cash flow forecasts and define the optimal level of operating assets supply. |
| Intended Learning Outcomes (ILO) | Analyze the working capital structureDevelop cash flow modelsOptimize working capital (cash conversion cycle vs liquidity and profitability)Choose sources of short-term fundingTake managerial decisions on working capital |
| Teaching and Learning Methods | case studiesgroup presentations and discussions in class problem solvinglecturers& classes |
| Indicative Learning Resources | Mandatory 1. Sagner, J.K. (2014). Working Capital Management: Applications and Case Studies. Wiley Cor-porate F&A, Wiley. 2. Ehrhardt, M.C., Brigham, E. F. Financial Management: Theory and Practice. 13th Edition. South Western Cengage Learning, 2011Optional *(5-7 items)* 1. John Zietlow, Matthew Hill, Terry Maness. Short-Term Financial Management. 2014 2. Baños-Caballero, S., García-Truel P.J., Martínez-Solano P. 2010. Working Capital Management in SMEs. Accounting & Finance 50 (2010), p. 512 3. Oh, J. Opportunity Cost in the Evaluation of Investment in Accounts Receivable / J. Oh./ Financial Management. – 2010. – p. 32-36 4. Solutions Manual for use with Ehrhardt, M.C., Brigham, E. F.  5. Robert Alan Hill , Working Capital Management. Theory and Strategy, 2013http://www.sternstewart.com http://www.damodaran.com  |
| Course Instructor | *Associate professor Olga Makarova (guest from GSOM SPbSU)* |

**Intended Learning Outcomes (ILO) Delivering**

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| **Programme ILO(s)** | **Course** **ILO(s)** | **Teaching and Learning Methods for delivering ILO(s)** | **Indicative Assessment Methods of Delivered ILO(s)** |
| ILO1 | Understand the challenges of uncertain economic environment, assess them and take appropriate financial and investment decisions | Individual problem solvingDiscussion of real-time issues using terms and concepts studied in class.Group home assignments based on real data | In-class quizzesExamsReportsEssays |
| ILO3 | Use strong analytical skills and apply them to solve practical problems | home assignments to solve computer exercises in ExcelIndividual problem solving  | In-class quizzesCasesReportsExams |
| ILO6 | Evaluate and design financial strategies for companies and financial institutions in a turbulent environment | Case studiesGroup home assignments based on real data | CasesReports |
| ILO9 | Demonstrate a range of generic skills including information and time management, team and project work, computing and autonomous learning, digital skills | Case studies Group tasksGroup home assignments followed by presentations | ReportsPresentationsCasesExams |
| ILO10 | Demonstrate an innovative, open and ethical mindset | Problem-solvingDiscussions | ReportsEssaysCases |

**Annex 1**

**Course Content**

1. Basics, concepts and principles of working capital management

Liquidity management problems, working capital definitions, concepts and models, traditional measures of liquidity position, net operating working capital policies, current assets behavior, trade-off between profitability and risk, alternative strategies for WC financing

1. Co-relation between working capital cycle and its elements and cash flows

Working capital cycle, firm as a system of cash flows, how much working capital is enough?, managing elements of WC, cash conversion period and cash flow time line, operating and financial cycles

1. Cash flows modelling and planning

Cash flow management objectives, corporate cash holding and value, cash receipt and cash disbursements paths, cash flow analysis – direct and indirect, applying discounting discounting techniques to value-enhancing proposals, cash flow forecasting direct and indirect – 3 flows, relationship of sales forecast and collection plan, budgeting expenses and planning payments

1. Sources of short-term financing

internal and external sources of WC financing, evaluating need for financing, calculating cost of financing and choosing the appropriate option, problems of turning internal sources into cash, availability of external resources, common bank instruments and limitations for financing working capital

1. Absolute liquidity model for Inventory management

Absolute liquidity management, theoretical models of determining optimal cash balance, Miller-Orr and Baumol models, economic order quantity (EOQ) for inventory, safety stock inventories

1. Accounts receivable management

Focus on preventive management, trade credits, credit control function and credit policy, measuring credit quality, planning sales - CRM and risk evaluation, bad debt reserve, analysis of sales and collections, monitoring receivables, factoring instruments

**Annex 2**

**Assessment Methods** **and Criteria**

**Assessment Methods**

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| --- | --- | --- |
| **Types of Assessment** | **Forms of Assessment** | **Modules** |
| **1** | **2** | **3** | **4** |
| Formative Assessment | Test | \* |  |  |  |
| Essay |  |  |  |  |
| Report/Presentation | \* |  |  |  |
| Project | \* |  |  |  |
| In-class Participation | \* |  |  |  |
| Other (write appropriate control forms for the course) |  |  |  |  |
| Interim Assessment(if required) | Assignment (e.g. written assignment) | \* |  |  |  |
| Summative Assessment | Exam  | \* |  |  |  |

**Assessment Criteria**

**In-class Participation**

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| **Grades** | **Assessment Criteria** |
| «Excellent» (8-10) | A critical analysis which demonstrates original thinking and shows strong evidence of preparatory research and broad background knowledge.  |
| «Good» (6-7) | Shows strong evidence of preparatory research and broad background knowledge. Excellent oral expression.  |
| «Satisfactory» (4-5) | Satisfactory overall, showing a fair knowledge of the topic, a reasonable standard of expression. Some hesitation in answering follow-up questions and/or gives incomplete or partly irrelevant answers. |
| «Fail» (0-2) | Limited evidence of relevant knowledge and an attempt to address the topic.  Unable to offer relevant information or opinion in answer to follow-up questions.  |

**Project Work**

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| **Grades** | **Assessment Criteria** |
| «Excellent» (8-10) | A well-structured, analytical presentation of project work. Shows strong evidence and broad background knowledge. In a group presentation all members contribute equally and each contribution builds on the previous one clearly; Answers to follow-up questions reveal a good range and depth of knowledge beyond that covered in the presentation and show confidence in discussion. |
| «Good» (6-7) | Clearly organized analysis, showing evidence of a good overall knowledge of the topic. The presenter of the project work highlights key points and responds to follow up questions appropriately. In group presentations there is evidence that the group has met to discuss the topic and is presenting the results of that discussion, in an order previously agreed. |
| «Satisfactory» (4-5) | Takes a very basic approach to the topic, using broadly appropriate material but lacking focus. The presentation of project work is largely unstructured, and some points are irrelevant to the topic. Knowledge of the topic is limited and there may be evidence of basic misunderstanding. In a group presentation, most of the work is done by one or two students and the individual contributions do not add up. |
| «Fail» (0-2) | Fails to demonstrate any appropriate knowledge. |

**Written Assignments (Essay, Test/Quiz, Written Exam, etc.)**

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| **Grades** | **Assessment Criteria** |
| «Excellent» (8-10) | Has a clear argument, which addresses the topic and responds effectively to all aspects of the task. Fully satisfies all the requirements of the task; rare minor errors occur;  |
| «Good» (6-7) | Responds to most aspects of the topic with a clear, explicit argument. Covers the requirements of the task; may produce occasional errors. |
| «Satisfactory» (4-5) | Generally addresses the task; the format may be inappropriate in places; display little evidence of (depending on the assignment): independent thought and critical judgement include a partial superficial coverage of the key issues, lack critical analysis, may make frequent errors. |
| «Fail» (0-2) | Fails to demonstrate any appropriate knowledge. |