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1 Introduction

The first chapter is an introduction, which describes the background information about cash management and Jonsons bygg, to then progress to the research questions of this study.

1.1 Background

Cash Management originally means the management of liquidity in order to meet their day-to-day commitment (Collins & Jarvis, 2000). There are many companies that do not put enough focus on managing the liquidity of the firm. The result of poor focus on cash management often means that the financial assets are bound. Instead of being bound, it could be used to invest for example in material. According to recent studies they found that small businesses have a poor cash management attention (Denver, 2005)

To have efficient and effective liquidity management is very important for the survival, especially for smaller businesses (Sardakis et al, 2007). It is a mater of life and death for smaller companies because they can survive for a long time without a profit but fails when they cannot meet a payment. Liquidity means the level of cash and near cash assets held, together with cash in and outflows of the assets (Ekanem, 2010).

This concept is becoming more and more used in Sweden. Managing the liquidity is not something new but cash management is a modern way of doing that. Cash management do not focus on getting the most profit margin on sales or reduce the cost in order to save money (Soenen, 1993). This is about earning extra money "between the lines", by being smart and efficient with the payment routines. Knowing where to invest the money and to know which accounts to use in order to earn extra money through interests. The companies can through that earn cash on cash (pengar på pengar). Most of the banks in Sweden offer cash management as a service for other companies (Larsson & Hammarlund, 2004).

Cash management is a very broad subject and there are a lot of factors to consider when trying becoming more efficient. Which factors to consider depends on the company and type of industry (Ekanem. 2010). There are still some main factors that all companies should be aware of and those factors are discussed in this paper.

Having payment routines is crucial to be as efficient as possible. This will make it easier for the company to have control over the customers and also earn extra money through interests. The key here is to make the payments from the customers interests bearing as fast as possible. It is also important to get the money as fast as possible from the customer and how to do that

will be discussed later. Accounts receivable is also included in the payment systems. What the company wants to do is to manage the accounts receivable in an effective way in order to get rid of unnecessary capital that is tied up (Farris & Hutchison, 2002).

If the payment routines are important then the payout systems are equally important. By not having efficient payout routines can lead to unnecessary bounded capital that the company wants to avoid (Randall & Farris, 2009).

Using a liquidity-budget is also discussed here to simplify and have control over the payment flows. The factors to consider for budgeting are proposed such as the size of the liquidity-reserve as well. Knowing where to invest the money is very important and there are a lot of choices here.

This paper will examine and improve the liquidity position for Jonsons Byggnads AB through cash management thinking. Jonsons Byggnads AB is a local construction firm located in Jönköping. The elements that will be in focus can be seen on this figure below.

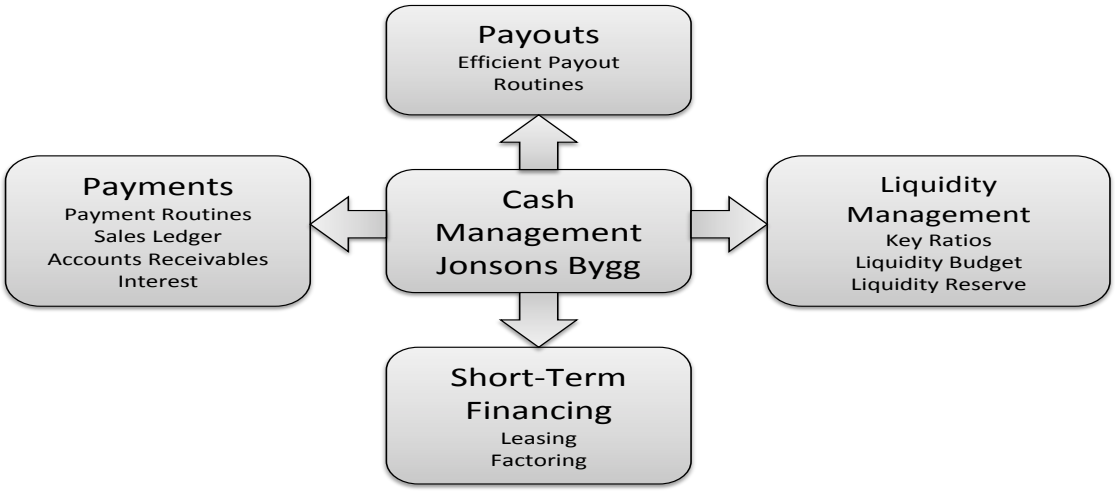

Figure 1: Areas this paper will focus on to examine Jonsons Bygg liquidity position.

Cash management is a very broad subject and there are of course more factors within cash management to study. If not having one person within the company that manages the liquidity, as Jonsons bygg have today. There is big chance that the company is missing great opportunities to improve their liquidity. Again, all issues within cash management are not relevant for Jonsons byggnads AB and will not be discussed in this paper.

1.2 Jonsons Byggnads AB

A local construction firm located in Jönköping. 1957 was the year the firm was founded by Bertil Jonson and they are niched more at building apartments, houses and service (renovation). It has been a family business up to the year 2007. Fadi Babil took over the company in 2007 and Jonsons byggnads AB has grown tremendously over the last 5 years. The company has now over 20 employees and a yearly turnover of 40 million Swedish crowns and is one of the biggest local firms in Jönköping.

Accuracy and quality is a great deal for the company and that makes this company attractive in the market. The company has over 50 years experience in the construction industry and can therefore provide great service and have a working culture where employee retention is in focus.

Jonsons bygg have a great variety of customers. The biggest customers are several local real estate investor enterprises and Jönköping commune. Private persons are also a common customer group. Renovations and smaller services are very usual when dealing with private persons.

As it was describe earlier, the company has a yearly turnover of 40 millions Swedish crowns and Jonsons bygg do not have any employee with focus on managing the company's liquidity. This means that an introduction to cash management could improve the liquidity and make Jonsons more profitable.

1.3 Problem Statement

Cash management is something all the companies need to consider. There is extra money to earn by managing the liquidity the right way. I have seen an opportunity to work with this subject and present it for Jonsons byggnads AB. The reason is because the company does not have any employee that is managing the liquidity at the moment. There is a big opportunity to see if the company's liquidity will be more efficient through cash management thinking.

Since Jonsons byggnads AB are not focusing on cash management, I believe there are some areas that can be improved through cash management thinking. Another reason why cash management is important is because we want to get rid of unnecessary restricted capital. Jonsons byggnads AB works with building properties and that implies that there is a large sum of money managed and by being efficient, there is a great deal of money to earn by investing them properly.

To summarize the problem; the question formulation are:

- *Does Jonsons bygg have a healthy liquidity position at the beginning of 2012?*
- *Which factors within cash management will improve the liquidity for Jonsons Byggnads AB and how?*
- *Can tied up capital be released with the viewpoint of cash management?*

1.4 Purpose

The purpose is to examine Jonsons bygg's liquidity today in order to later recognize which factors within cash management that can strengthen the liquidity position for Jonsons Byggnads AB.

1.5 Delimitation

I am focusing on one company and I will only focus on those factors that are relevant for Jonsons byggnads AB. Issues within international cash management is not presented here. This is because Jonsons byggnads AB have their business in Sweden and both the customers and suppliers are Swedish companies. That means that subjects such as currency risk management are not discussed in this paper since they are not relevant. Current timeframe is in interest, when calculating key ratio I will take the data from the latest balance sheet and income statement, which is from 2011. Data before that are not relevant in this study.

The banks have a big role here. This is because they manage the company's money. Instead of analyze what all the Swedish banks offer, which gives me picture that is to wide and makes it harder for me to implement later on. I have chosen to work with Swedbank. The reason is simply because Jonsons byggnads AB uses Swedbank and makes it possible to implement.

1.6 Methodology

This paper is formed as a case study; this means that the study is a deep analysis of one individual unit, Jonsons Byggnads AB. The reason is to get a deeper understanding on the subject and makes it possible to focus on the issues concerning cash management for Jonsons Byggnads AB. This is needed to be able to adapt an appropriate cash management system for the individual company. Cash management is a very broad subject and includes a lot of factors, instead of discussing all the issues that concern cash management and get a very wide

picture on the subject. I have formed this paper as a case study in order to put more attention on issues that can improve the liquidity for Jonsons Byggnads AB (Rabianski, 2003).

This case study is based on explanatory research. Explanatory research implies that the author is focusing to define the best research design, collection of data and appropriate subject for the study. Explanatory studies rely on qualitative studies where the information and data are gathered from interviews and observations (Rabianski, 2003). This paper is mostly based on interviews and observations made with Jonsons Byggnads AB, which gives me the opportunity to analyze the appropriate strategies for improving the liquidity for the company. Semi-structured interviews with the owner of the company (Fadi Babil) and other relevant staff member such as the financial assistant and the contract engineer are done to get a deeper understanding about the company and what factors to be focusing on. How these interviews and observations were conducted is described later.

The bank has a vital role here, since they hold the company's funds. The focus here is on Swedbank. In depth interview with financial advisor Fadil Sadiku at Swedbank is done to examine the most efficient way to invest the money and other possibilities.

Although the most of the empirical findings are based on these interviews, data are also collected from the income statement and balance sheet for Jonsons Byggnads as well. These data are needed to determine the liquidity position for the company by using key ratios.

I believe that it is important to have reliable sources, the theoretical framework are mostly based journal articles to increase the reliability and validity of this thesis.

2 Theoretical Framework

The main issues and theories will now be presented within cash management. These theories are the foundations in cash management, to able to manage the firm's liquidity efficient and be profitable. The main subjects in this paper are payment and payout routines, account payable/receivables, liquidity management and short-term financing.

Cash Management originally means the management of liquidity in order to meet their day-to-day commitment (Collins & Jarvis, 2000). There are many companies that do not put enough focus on managing the liquidity of the firm. The result of poor focus on cash management often means that the financial assets are bound. Instead of being bound, it could be used to invest for example in material. According to recent studies they found that small businesses have a poor cash management attention (Denver, 2005)

To have efficient and effective liquidity management is very important for the survival, especially for smaller businesses (Sardakis et al, 2007). It is important for smaller companies because they can survive for a long time without a profit but fails when they cannot meet a payment. Liquidity means the level of cash and near cash assets held, together with cash in and outflows of the assets (Ekanem, 2010).

2.1 Restricted Capital

A lot of capital is restricted, especially in the accounts receivable. The time for managing the capital between sending the bill and receive the money can be called *cash-cycle* (Larsson & Hammarlund, 2004) or cash-to-cash (Schilling, 1996). The goal here is to minimize the cash-cycle as much as possible. The time interval between the accounts receivable and account payable can also be called cash-to-cash, which we also want to speed up (Gallinger, 1997). It has shown that reducing the timescale of the cash-cycle results in improved cash flow in the short-term for the firm as well as the working capital in the medium-term. The working capital is calculated by taking the current asset minus short-dated debts (Chittenden & Bragg, 1997). The formula for calculating the cash-to-cash cycle is (Randall & Farris, 2009):

$$days\ of\ warehouse + days\ of\ receivables - days\ of\ payables = Cash\ to\ cash\ cycle$$

How these individual elements are calculated will be presented later on.

Management of accounts receivable/payables has a direct influence on the restricted capital. The main focus here is to reduce the time between the reception of the order and the actual payment from the customers, in other words to speed the cash collection (Farris & Hutchison,

2002). Inefficient routines can be the source of having capital that is tied up and can be very costly for the company. Interest losses and interest charges can be the result by having inefficient routines. The time lag between the sales and payment usually leads to default risks such as bad debts (Paul & Boden, 2008).

Cash-to-cash cycle is closely related to the valuation of the firm (Soenen, 1993). Shorter cash cycle means higher present value of cash flows that is generated in assets and hence higher value. By shortening the cash cycle means that there are fewer days where the capital is tied up and results in more liquidity for the firm (Soenen, 1993). By creating well-developed routines for order/billing and continuously keep it under observation, the company can then be more efficient, hence cut down the restricted capital.

2.2 Payments

It is crucial that the company manages their payment routines effectively (Larsson & Hammarlund, 2004) and this paper will continue by presenting theoretical elements that is important to consider. This subchapter will demonstrate some solutions such as sales ledger, analysis on account receivables, term of payment, improvement on order/billing routines and making the money interest bearing.

2.2.1 Sales Ledger

Sales ledger can be described as a detailed map over the accounts being used for the accounts receivable (Kirkby, 1993). The point of using a sales ledger is to get information about the outstanding receivables beyond of what is available in the accountancy. This can be when the bills mature, how much the turnover is per customer, the basis of price setting and so on. This is also a good tool to know what the customers paying habits are and to be able to analyze it. Figure 2 is presented to get a more visual picture on how the cash cycle and sales ledger could look like and all the factors that influence the process (Soenen, 1993).

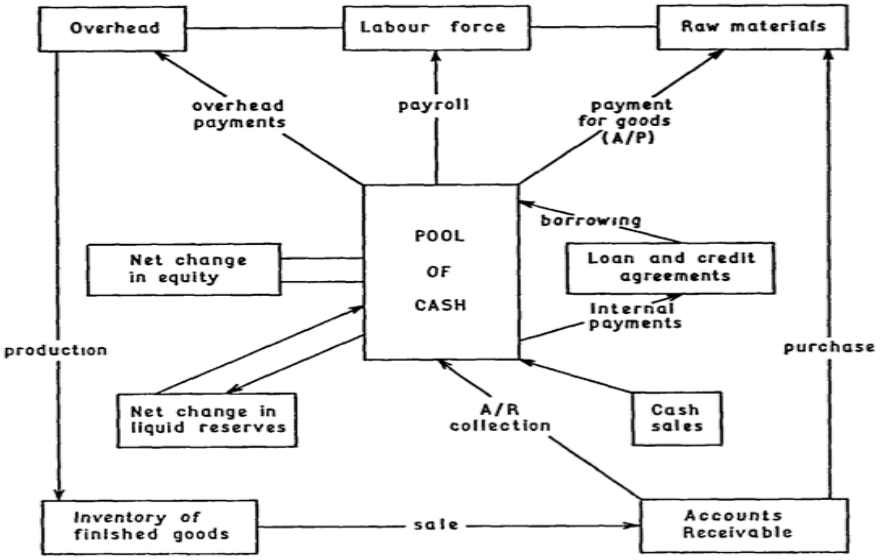

Figure 2: Cash Flow cycle (Soenen, 1993).

The challenge here is to adjust a system for the company. There are a lot of possibilities in today's generation to manage computerized sales ledger systems (Larsson & Hammarlund, 2004). It is possible to get a lot of information through these systems, such as reports and list printouts etc. This makes it easier to manage the sales ledger individually for different customer categories.

One problem companies can come across is a good way to match the right bill with the payment and "check it", which means that the customer have paid. It is important to have efficient "check of" routines because this can save time. One solution is to use invoice number, which do not have to be more than six numbers plus control number. The advantage with short terms is that it reduces the time for registration of the payment and the error risk with the payment routines. This becomes very important if the bills are sent to private persons, which need to register these bills in order to pay them over the Internet (Larsson & Hammarlund, 2004).

There should also be automatic routines for interest on overdue payments on the sales ledgers systems. This gives the company a good opportunity to send out to the customer a reminder to pay and claims automatically to the individual customer (Larsson & Hammarlund, 2004).

2.2.2 Analysis on Accounts Receivables

There are different types of key ratios that can be used to analyze account receivables, such as (Randall & Farris, 2009):

$$\frac{Account\ receivables}{Net\ sale} * 365 = days\ of\ receivable$$

The number of days calculated specifies the amount of days the capital is tied up. One can either calculate for every transaction or an average for each year (Randall & Farris, 2009). There are several key ratios that can be interesting to calculate, such as:

- Average day of credit for different customer groups
- Average day of credit for bills that are not paid in time for different customer groups.
- Number of days between delivery and billing (in average)
- Number of reminders to pay
- Charged penalty interest

There are of course many more key ratios that can be considered. All the key ratios should be calculated with appropriate time intervals (Larsson & Hammarlund, 2004).

2.2.3 Term of Payment

The payment term is essential for the restricted capital. The usual payment terms in Sweden are 30 days. There are in some cases that the customers are late with the payments, which is very costly for the company. Late payment problems are on of the primary causes for business failure among smaller firms (Wilson, 2008). From the viewpoint of cash management, the company wants to get the money as fast as possible in order to be efficient (Farris & Hutchison, 2002). The reason why customers do not pay before the maturity can be (Larsson & Hammarlund, 2004):

- Penalty interest is not charged
- There is shortage in the payments requests; reminders are not sent to the customers.
- The maturity of the bills can be too short for the customer to pay in time.

Whatever the reason is, the company has to take action and it has to be fast, since there is a clear relationship between late payment issues and bankruptcy (Wilson, 2008)

The common payment terms that are usually seen on the invoices in Sweden are (Larsson & Hammarlund, 2004):

- Cash payment
- 30 days maturity
- 10 days minus 2% or 30 days

If the company uses 10 days with 2% discount and the customers takes advantage of that, means that the company pays 45% with interest on interest compared with if the customers pays in 30 days (Larsson & Hammarlund, 2004). As everybody can conclude, this is a very costly for the company and probably the reason why discounts are rarely used today.

As we can se, there are many things the company can consider for faster payments. One day of early payment results in a return of one day of sales revenue (Randall & Farris, 2009). One can deliberate with the customers and se if it possible to require a full payment at the time of order or a large deposit to speed up the cash collection (Farris & Hutchison, 2002). The solution should simply be to reduce the maturity of the invoice, but there are buyers who choose suppliers with longer maturities as a sign of confidant in production quality. The issue here is to find a healthy balance between the customer's confidant and fast payments (Wilson, 2006)

2.2.4 Improvement on Order/Billing Routines

Before considering building efficient routines, the company must be aware of the relationship between the financial department and production department (Larsson & Hammarlund, 2004). Issues such as:

- Layout of order, delivery and billing routines
- What persons are involved?
- What computerized systems are being used?
- How does the payment condition look like?
- Paying behavior, which customer do not pay in time?

Errors in deliveries can be a reason why customers are late with the payments. Managing late payments can easily reduce the profitability, especially when the profit margins are tight (Paul, 2007). That is the reason why it is crucial that the financial department have a good relationship with other departments within the company. To take time to gather information/statistics can be useful. The company can make basic statistics on:

- Wrong products that have been delivered
- Product delivered to wrong address
- Damaged goods on delivery
- Installation of the good has not been done properly

- Number of complaints

All these errors affect the restricted capital in a negative way and at the same time spread bad reputation about the company. The production/service department should get the information as fast as possible about the delivery agreement, so they have time to deliver the service in time (Larsson & Hammarlund, 2004).

Next step would be to calculate and see if there is any possibilities to earn extra money with faster order/delivery routines and calculate reduced restricted capital (Soenen, 1993). Examine when the company send the bills in relation with delivery or finished product, then calculate the number of days between delivery and billing and value the amount of released capital by having faster billing routines.

Soenen (1993) argues if a bill is 1.000.000 Swedish crowns, then a one day billing delay at 5 percent interest would cost the company $\frac{1\ 000\ 000*0,05}{360} = 139$ per day or 4170 per month. This gives a clear picture of the importance improving billing procedures.

Larsson and Hammarlund (2004) argues that if the payment condition is 30 days and all the customers pay exactly after 30 days, this means that $\frac{30}{360} = \mathbf{\frac{1}{12}}$ of the sales is restricted in accounts receivable. When the payment condition changes from 30 to 10 days means that the restricted capital would decrease to $\frac{10}{360} = \mathbf{\frac{1}{36}}$ (Larsson & Hammarlund, 2004). This is a decrease from 8,3% to 2,7% on the same turnover. If the company reduces the restricted capital with one day then the company would release capital by:

$$\frac{The\ sum\ of\ the\ bill\ with\ VAT}{365} = \%\ of\ the\ yearly\ turnover$$

2.2.5 Interest-bearing

Having good payment routines is important because there is money to earn through that. The key here is to make the money interest bearing, as fast as possible. There are two types of accounts for that, transaction and investment accounts (Larrson & Hammarlund. 2004).

The companies want to manage the money by having them on an interest bearing account. A good way to have control over the money and put them on an account with high interest right away is to send out invoice to the customers. The company can send the invoice with bank giro or OCR-service (Optical Character Recognition). This means that the money will be registered on the accounts the same day. The advantage by using invoice instead of credit is

that the company has to pay interest on every day that the customer takes advantage of the credit (Larsson & Hammarlund, 2004). Instead of paying interest, the company could send out invoice with OCR-service that is connected to the transaction account and decrease the interest costs. When there is a surplus in the transaction account, the company can request the bank to transfer the money to another account with higher interest rate (Larsson & Hammarlund, 2004).

It is needed to have control over the money in order to transfer the payments from the customer to the right accounts (Larsson & Hammarlund, 2004). As it was discussed earlier in this paper, it is important to "check of" the payments from the customers in an efficient way. A solution to that problem can be OCR-service. The OCR code is a computerized code that is connected to the bank giro. The bank giro gives out information about the payments that the company can use for an easy and efficient "check of" on the sales ledger (Larsson & Hammarlund, 2004).

2.3 Payouts

By paying the suppliers to long before the maturity of the invoice and not take advantage of it is not the most efficient approach. That could create unnecessary capital that is tied up for the company (Larsson & Hammarlund, 2004). The company should manage a system/routines, which makes it easier to keep control over maturity of the bills and also different discounts that the company should take advantage of and pay at last possible minute (Farris & Hutchison, 2002). One can analyze the days of account payables by using this formula (Randall & Farris, 2009):

$$\frac{Accounts\ payable}{Cost\ of\ good\ sold} * 365 = days\ of\ payable$$

This is a similar calculation as analyzing the account receivable but the result here explains how many days the company can hold the capital from a sale. The company wants to stretch the amount of day's payable as much as possible in order to shorten the cash-to-cash cycle (Randall & Farris, 2009).

The cash management profit is not just based on the payment routines. Has the supplier delivered the product in time? Restricted capital can be the result of an earl delivery that usually means that the maturity of the bill is shorter. This should then be discussed with the suppliers. Here we can se that the importance of having good connection between the

different departments within the company. The same problem will be developed if the supplier is late with the delivery. Another problem that affects the capital negatively is if the bill arrives a couple of days late. The risk can be that the payment will be done after the maturity. All these issues needs to be considered and it is crucial that the company is managing these issues continuously.

2.4 Liquidity Management

To have efficient and effective liquidity management is very important for the survival, especially for smaller businesses (Sardakis et al, 2007), since they operate with fewer sources of both short and long run financing than bigger companies (Moss, 1993). Liquidity means the level of cash and near cash assets held, together with cash in and outflows of the assets (Ekanem, 2010). It is possible to measure a firm's liquidity with different type of cash flow ratios (Jooste, 2006). How they are calculated is presented later on. These ratios are very helpful to determine the firm health as well (Jooste, 2006). One can measure the cash flow ratios on supplier and potential buyers in order to se if they are healthy and confirm that they do not have any liquidity problem (Figlewicz & Zeller, 1991). The concept of performance ratios is not something new, but the availability of the data is easier to get today and firms should take advantage of that information (Carslaw & Mills, 1991).

As it wash discussed earlier, an optimum liquidity position is a decision to shorten the cash-to-cash cycle (Farris & Hutchison, 2002). That improves the profit and means that the firm does not have a great need for external financing (Moss, 1993). Management of working capital is crucial for both the liquidity and profitability. If the management of working capital is poor, usually means that money is locked up in working capital (Ekanem, 2010). It is also important to be aware of that late payment of invoices can be very expensive (Deloof, 2003). Efficient management of working capital is important, especially for smaller firms in an economic downturn, which happened in 2008.

2.4.1 Liquidity Budget

A good tool to manage the liquidity is to have a liquidity plan and can be done by doing a liquidity-budget. Budget is one of the key elements since the result helps to frame the firm's future opportunities (Lazaridis, 2006). Different types of software can be helpful and make it easier. The company can either purchase a program that is already out there or create their own. The advantage by creating one is that the program can then be customized for the

company's requirements. The liquidity-budget should be complemented with liquidity plan that is very short, which is focused on having enough money available on the transaction account (Tvarsky & Kahneman, 1981). This plan should occur on a daily basis. The goal here is to encounter the payments and payouts. It is important that the liquidity-budget is linked with the long-term plans as well. A budget creates a decision frame and it influences the mental accounting (Scheer et al., 2010).

Liquidity-budget should for a given period include all the payments, payouts and the date of maturity. Which period depends on the company and the industry, it could be for a month, week and even for a day. The budget should also include wages, payouts, interests, amortization, taxes, investments and so on (Pohlman et al., 1988). It can be hard to calculate when the payments occur from the customer and the judgment should be based on experience and payment requirements (Soman, 2001).

2.4.2 Liquidity Reserve

It is not enough to just have a budget to make sure to have money for different types of transactions. The company should hedge themselves for various surprises that the company can run in to (Larsson & Hammarlund, 2004). The size of the liquidity-reserve depends on many factors. There is of course a relationship between the cash cycle and the liquidity reserve. If the cash cycle is long, then the minimum liquidity needs an increase and vice versa (Farris & Hutchison, 2002).

By having a minor reserve can be risky while to large reserve can lead to a reduction in revenue (Larsson & Hammarlund, 2004). How the profitability is affected can vary.

By calculating cash flow ratios, one can determine how well the firm can repay loans, to maintain operating capabilities and make investments without external financing (Jooste, 2006). To be measure the liquidity one can measure the relation between the liquid assets and short-term debt in the company's balance sheet (Moss, 1993).

$$Quick\ Ratio\ (in\ percentage)\ = \frac{liquid\ assets}{short\ term\ debts} * 100$$

This means that if the cash liquidity is 100% or more, the company can cover the short-term debts with their liquid assets (Moss, 1993). The current ratio (balance-ratio) is another way to measure the liquidity and it is a static view (Gallinger, 1997)

$$Current\ ratio\ (in\ percentage) = \frac{current\ assets}{short\ term\ debts} * 100$$

The current ratio should exceed 200% (Gallinger, 1997). The disadvantage with current ratio is that current assets include assets that cannot be sold immediately as a liquid asset. The quick ratio is more interesting because it gives a more precise measurement of the liquidity than the current ratio since it does not include the stock, which is the least liquid of the current asset (Moss, 1993).

These two measurements are static and therefore measure the liquidity for one specific time. Another way to measure the liquidity is to compare the account receivable with the account payable (Larsson & Hammarlund, 2004). The capital will be tight up as a result, if the gap between them is too large.

2.5 Short-term Financing

2.5.1 Factoring

Factoring could be one of the solutions to speed up the cash cycle. This means that the firm receives finance from the factor (Kirkby, 1993). In this way, the tied up capital is released. The major banks have become more involved either direct or indirectly with factoring, as a banking service (Kirkby, 1993). Factoring can also be seen as a sales accounting service that protects the firms against bad debts (Kirkby, 1993). Another advantage is that the current ratio is strengthened (Kirkby, 1993). The current ratio is very important especially for banks, when a company is considering a bank loan because a bank manager has to rely on past performance as a tool (Phelps, 1956). By having a factor agreement, the company can focus on production and marketing which is very important for companies with weak accounting (Kirkby, 1993).

Factoring involves an agreement between the company and the factor (which can be banks or factor companies), it could be for a time period or just for one invoice (Kirkby, 1993). This graph presented below shows how the factoring process usually looks like.

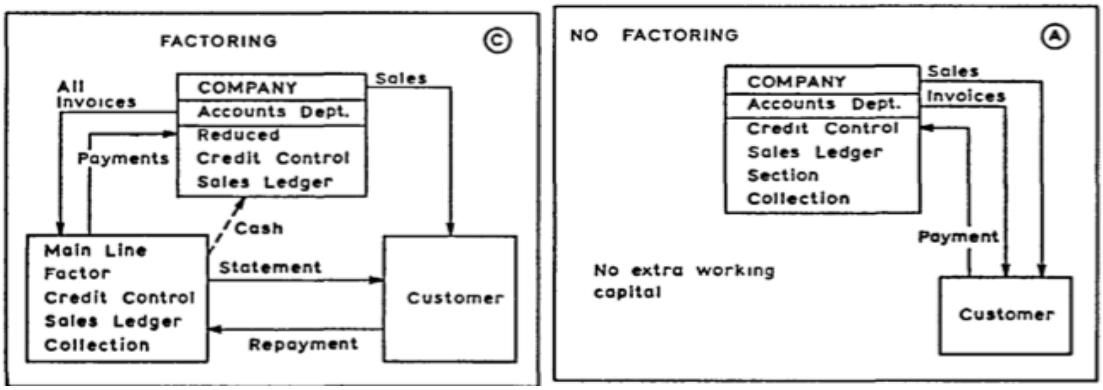

Figure 3: Factoring VS no factoring (Osbourn, 1970).

The seller of the good/service receives the order that transmits the order to the factor for their approval. When the order is approved and transmitted, the invoice is sent to the factor in order to advance the money to the seller. The final step is that the buyer pays the factor (Kirkby, 1993). The factor can function because they are geared on provision, which can be a percentage on every invoice (Kirkby, 1993).

An example could be a one-year agreement between the factor and the seller (Kirkby, 1993). This means that the factor is obliged to buy all the account receivables and the seller should then inform the customers that their future payment are made to the factor (Kirkby, 1993).

There are usually some criteria's that are needed to be meet in order to be approved by a factor. The main reason for a factor to reject any company usually are that the turnover is too small, the factor can perhaps have a minimum turnover which is not meet (Bloor, 1972) and the trading record is too short (Kirkby, 1993). The quality of management can be an issue; it is not good enough in the viewpoint of the factor (Bloor, 1972).

2.5.2 Leasing

Asset based financing such as leasing could be considered for the short-term financing (Callimaci et al., 2011) since it releases capital, which would in other wise be tied up on inventory or other equipment's (Larsson & Hammarlund, 2004). Leasing means that the lessee obtains the right to use the asset for a fee but the lessor maintains the ownership (Callimaci et al., 2011). The price and the length of the contract can be compared by finding the present value of the cash flow over the period of the lease or by algebraic models (Rowland, 2000). Leasing can be seen as a more flexible way to finance an asset than traditional lending because it can be customized for the seller in a number of ways (Callimaci et al., 2011). An example can be that the payment schedule is adjusted to suit the companies

cash flow needs and the rates tends to be lower than bank loans. Another attempting feature with leasing is the possibility to upgrade the equipment during the end of the contract and also the sales-tax deferral (Callimaci et al., 2011). Advantage such as selling the equipment when they are no longer needed vanishes with leasing, however, the company do not have to worry about the devaluation of the equipment (Smith & Wakeman, 1985). Leasing could also save the lessees on high external costs such as service/repairs (Sharpe & Nguyen, 1995).

The decision to lease or to use debt financing is still an empirical issue since there have been different studies with different result between leasing and debt financing (Callimaci et al., 2011). Some studies suggest that leasing and financing acts like substitutes (Adeji & Stapleton, 1996). This means that an increase in leasing decreases the debt financing for the firm. While other studies suggest that they act as complements (Ang & Peterson, 1984). That high leasing is concurred with high debt.

It is argued that the decision to lease depends on the type of industry and that the benefits of leasing are different for each organization (Smith & Wakeman, 1985). It is important to identify the taxes for the potential lessor and lessees, since leasing could reduce the total tax bill (Smith & Wakeman, 1985).

3 Method

This chapter will describe how the data and information was gathered for the empirical findings. This paper is qualitative study and contains information about how the interviews and observations were made.

The appropriate theories within cash management have now been presented. The structure of the paper is to analyze the different theoretical elements for Jonsons bygg. By doing that, it can be determined how the liquidity is managed at this moment. The main components on the empirical findings are payments, payouts, payment routines, leasing, factoring and liquidity management. After describing how the liquidity is managed, I will present some alternatives to improve the liquidity, based on the theoretical framework. The primary goal is to se which factors within cash management can be used to strengthen the liquidity of Jonsons bygg.

This paper is constructed as a case study. The reason is to get a deeper understanding of how cash management thinking affects the company's liquidity. This gives me an opportunity to analyze cash management very deeply and also find suitable solution for Jonsons Byggnads AB. The advantage by doing a case study is that it forces the writer to really understand the subject in order to know which elements to implement for best results.

3.1 Quantitative or Qualitative Approach

A quantitative study usually has a logical and linear structure and hypothetical expectations are conducted between different relations (Eidable et al., 2002). This means that the determination of these relations in that specific subject will then result in either a rejection or acceptance of the hypothesis. A quantitative study relies on analysis and analysis of statistical data to establish the relation between one set of data to another (Eidable et al., 2002).

A qualitative study means a focus on meaning and understanding of the subject (Eidable et al., 2002). Instead of focusing on relying on measurements of statistical data, qualitative study is acquired to understand the natural setting of the subject with help of observations and interviews (Eidable et al., 2002). Therefore, an in depth knowledge is essential to achieve appropriate understanding. This means that qualitative studies are associated with face-to-face communication with people and observations (Eidable et al., 2002).

Since the focus is to analyze the cash management within Jonsons bygg a qualitative approach is done. Since this study requires me to have knowledge about how the firms operate, several interviews and observations are needed and done. Because statistical data are

not helpful to really understand and to determine how Jonsons bygg manage their liquidity and cash flow. Another reason why a qualitative approach is chosen is because this paper is largely based on the respondent's statements.

3.2 Why Jonsons Byggnads AB

This paper will focus on how Jonsons bygg manage their liquidity and this paper will be constructed as case study. Jonsons bygg do not have anyone who is employed to handle the liquidity and I will take the chance to analyze it and present some solution within cash management. A big reason behind the selection of Jonsons bygg is the connection I already have with the firm. I am fully aware of that Jonsons bygg do not have anyone that manages the liquidity within the firm and the introduction of cash management could improve their liquidity further. That gives me full access to conduct interviews and do as much observation needed.

The bank has a vital role in cash management since they offer a lot of services to improve the company's liquidity and hold the company's funds. The bank that is chosen for this paper is Swedbank. The reason behind this selection is simply because Jonsons bygg place their money their. This means that all the alternatives that are provided to help and improve the cash management for Jonsons bygg can actually be implemented and suitable as well.

In depth interviews will be performed with both Jonsons bygg and Swedbank in order to answer all the questions concerning cash management. How the interviews are performed will be described later.

3.3 Primary and Secondary Data

Primary and secondary data are two ways to collect data. Primary data means that the information researched gather first hand. Primary data are facts and information that is gathered for the purpose of the study at hand (Rabianski, 2003). Secondary data is information from secondary sources that is not directly collected by the analyst (Rabianski, 2003). These are information and facts that is gathered for other investigation at hand and for some other purposes. The data is gathered for other researchers own purposes but the data can be useful in analysis for other studies as well (Rabianski, 2003). One persons primary data could be another secondary data.

The data collected in this paper comes from both primary and secondary data. To able to analyze the liquidity for Jonsons bygg, I need to calculate it with help of key ratios. The data is collected from both the balance sheet and the statement income at the end of year 2011, which are secondary data. The reason behind choosing data at the end of 2011 is because gives us a more valid result of how the liquidity is today. Data earlier than the end of 2011 have no connection to the liquidity today. The liquidity health of the firm can vary from year to year, that is why I am focusing on the latest data. Primary data is needed to able to measure and analyze the remaining factors within cash management. Below are the methods for the primary data.

3.3.1 Observation

Observation is a data gathering technique that focuses on observable facts, the activity, as an observer is not to interpret the action but to report it. The activity an observer grasps is generally true (Rabianski, 2003). Observation is done because it gives me an opportunity and real understanding of how Jonsons bygg works and I can observe all the departments within the company. Since observations only catch the activities at that specific place and time (Rabianski, 2003), frequent observations are done in order for me to report the activity at different occasions. Hence, strengthen the reliability and variability on the observation. There have been five observations in the company. The observations were made at different times and days in order to capture as much variety as possible.

3.3.2 Interview

Since observations cannot provide any economic and financial information (Rabianski, 2003), interviews needs to be performed to gather these types of information. Interview questions are used as a guide in order to open a discussion and dig deep into Jonsons bygg's issues with cash management. This implies that the interview questions are semi-structured, which means that the questions invite the respondents to answer and get a chance to develop their answers (Rabianski, 2003). All the questions are based on the purpose of this thesis in order to answer all the issues that were discussed in the problem discussion. The purpose of this thesis is to improve the liquidity position for Jonsons bygg and the questions are designed with that purpose in mind. A similar interview process is done with Swedbank as well. Observations in Swedbank are not made since that type of information is not necessary and appropriate in this study. The only relevant information I need from Swedbank is the

products their offer to make the management liquidity more efficient and profitable and can only be done through interviews.

To get all the information needed about Swedbank, interviews with Fadil Sadiku (financial advisor at Swebank) was conducted. There have been two interviews with Fadil Sadiku at his office in Eksjö. Again, the questions were semi-structured to engage Fadil Sadiku into deeper conversations. Since the interview was done in his office, it was easy to look at different types of documents and Fadil Sadiku had access to everything that was needed. This will eliminate the risk of having questions and information unanswered. Fadil Sadiku gave me his office number, in case if question and wonders would pop up during the semester. The interviews with Fadil Sadiku were noted with a pad and audio recorded to be able to gather all information. Interviews went very smoothly with Fadil Sadiku, all the questions were answered and he gave me a fresh perspective on cash management thinking. Since the interviews were semi-structured and gave Fadil Sadiku the opportunity to discuss the issues even further, he also raised new issues to consider within cash management. His expertise on the subject was the foundation of structuring this thesis.

The interview for Jonsons bygg was done with Fadi Babil (owner and CEO for Jonsons bygg), the accountant and the contract engineer depending on field of responsibility. The accountant and the contract engineer are anonymous. Five interviews were performed during this case plus telephone interviews. The face-to-face interviews were noted and audio recorded to gather all the information. All interviews with Jonsons bygg were done in the office because the respondents can access all the information and documents that was needed. Since the interview was made at the office, it was flexible to reach all the respondents within the company. All of the interviews made in Jonsons bygg went very good. All the respondents in the company could easily relate to the questions and could therefore answer all question. There was a positive atmosphere during the interviews and all the respondents were very exited about the introduction of cash management.

The questions were handed out scripturally before the interview as well, to both Jonsons bygg and Fadil Sadiku at Swedbank, to prepare them. The questions guide can be viewed in appendix 5.

3.4 Reliability and Validity

Reliability is if the analyst measures the same variable several times, and the results are approximately the same (Rabianski, 2003). The key ratios are calculated a few times before implementing them in this paper, this is to make sure that all the calculations are right. Since the secondary data are from secondary sources, the reliability and validity could be questioned (Rabianski, 2003). The secondary source comes from the balance sheet and the income statement from the end of year 2011. That means that the secondary data is both verified and inspected by licensed accountant. To increase the reliability of the primary data, the interviews and observations are done several times and all the interviews are audio recorded and noted. Validity means that proper procedures are followed when collecting, organizing and analyzing data (Rabianski, 2003). One can always question that the data gathered from interviews and observations are valid. The primary data are based on that the respondents are answering truthfully. I have increased the validity by interviewing the respondents several times and asked the same question more than twice to se if the answers are similar. The same thing is done with the observations; they are done several times to capture the full picture of how Jonsons bygg works. The reason why interviews should be done several times is because it can develop new products from the respondents and this could be missed if the interview is done one time.

3.5 Criticism of the source

One should always be critical of were the source comes from. One should always question where, when, why and how that information and data is done, especially the secondary source (Rabianski, 2003). Since cash management is a very broad and sometimes a very complex subject. It is preferred to rely on relevant journal articles. The reason why the majority of references are from journal articles is to make sure that the theories are based on authors that are trustworthy and from people with knowledge about cash management. Because of the broadness within the subject, relevant theories can be very hard to find, especially to use for Jonsons Byggnads AB. Very old articles can be very questionable to use since managing the cash today, is not the same as in the 80's and therefore not relevant.

The empirical findings are based on a combination of primary data and secondary data. This means that the information gathered needs to trustworthy. This is why I have chosen to use semi-structured interviews, which gives the respondents a chance to develop their answers even further (Rabianski, 2003). I believe that semi-structured makes the interview more

reliable rather than structured question where the respondents gives a straight answer. That increases the risk of misunderstanding and makes the answers very flat (Rabianski, 2003).

4 Empirical Findings

The empirical findings are presented in this chapter. All the information in this chapter are gathered from interviews, observations made with Jonsons bygg and Swedbank and the data for the calculation are gathered from Jonsons bygg's balance sheet and income statement in year 2011.

4.1 Payments

How Jonsons bygg manages the payments is crucial in cash management. It will now be presented how the company deals with the payments and be analyzed as well, in order to see if there are any areas that need improvement.

4.1.1 Sales Ledger

A map over the company's current cash flow is a good start and makes it easier to see which areas that need to be improved, in order to strengthen the company's liquidity (Kirkby, 1993). The map below demonstrates the cash flow cycle within Jonsons bygg with a link to the cash-flow cycle demonstrated in chapter 2 by Soenen (1993).

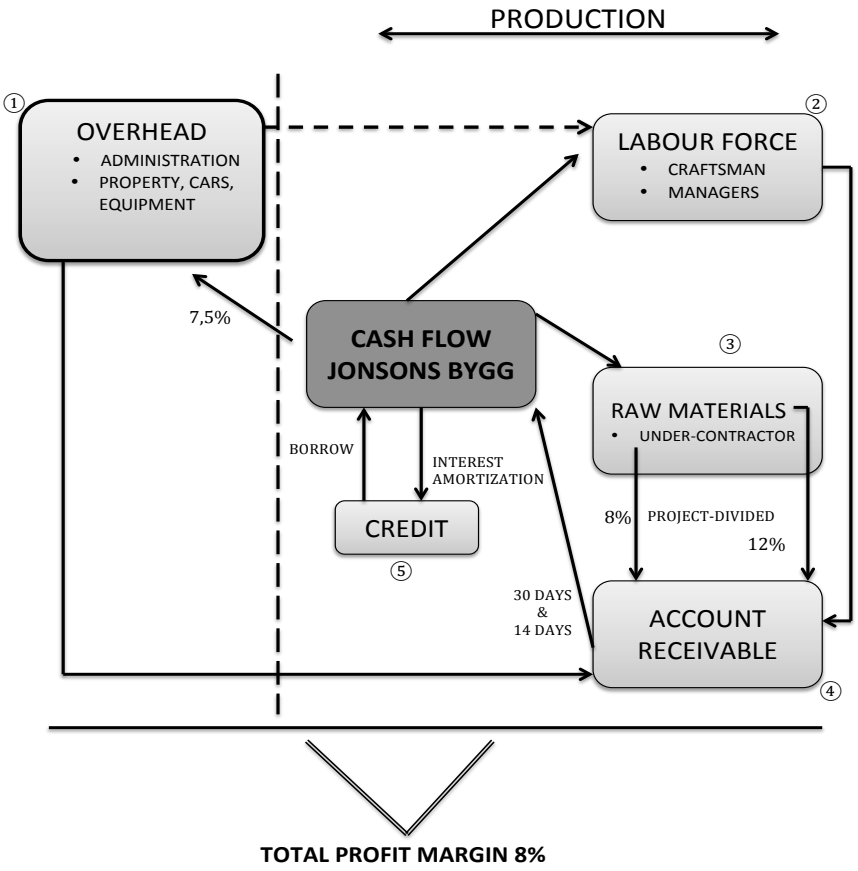

Figure 4: The cash-flow cycle for Jonsons Bygg.

Fadi Babil describes that the first step is the customer wanting to build a house. This means that an offer needs to be calculated from Jonsons Bygg. These cost calculations are included in the overhead costs (①), which can be divided in two parts. Fadi Babil explains that the first part consists of administration costs and the second part includes costs for property, cars (transportation), equipment and so on. There is always a risk that the overhead cost could be a sunk cost for the company, this is because Jonsons bygg cannot charge for these cost if the customer turns the offer down. In other word, the overhead cost does always exists. Fadi Babil estimates that the administration costs are approximately 2,5 percent of the yearly turnover according to last year annual account. The remaining overhead costs are estimated to 5 percent of the yearly turnover which makes it a total of 7,5 percent. These 7,5 percent can be charged when the customer accepts the offer from Jonsons bygg.

The production begins when the customer accepts the offer from Jonsons Bygg, which takes us to the second step in the cycle (②), the labour force. These costs are project distributed. The labour force consists of craftsman and managers. Craftsman costs the company 290 Swedish crowns per hour in wage and charged at 350, which is a margin of 20 percent.

The raw material (③) consists of materials that is needed to fulfill the project and are purchased just for that specific project, which means that Jonsons bygg do not have any warehouse costs. Jonsons bygg categories the under-contractors as raw material. Under-contractors are the external services Jonsons bygg hires for a specific job that cannot be made by Jonsons bygg. Examples such as hire an external electrician. Jonsons bygg then ads 8 percent profit margin on the cost of under-contractors and 12 percent profit margin on materials.

Jonsons bygg will then send the customer invoices, which creates accounts receivables (④) for Jonsons bygg. Fadi Babil describes that the customer has a maturity of 30 or 14 days depending on if the customer is a juridical person or private person. Maturity of 30 days is for juridical persons and 14 for private persons. The total profit margin for each project is approximately 8 percent of the total sum (how the profit margin is calculated can be seen in appendix 4). This does not sound as a healthy margin but since we are dealing with big numbers, 8 percent profit is good enough.

Fadi Babil says that credit (⑤) or a loan is something the company tries to avoid. This is used if and only if Jonsons bygg cannot pay their suppliers in time.

Everything in the company is done manually according to Fadi Babil. The company does not have any computerized sales ledger systems today. The reason is simply because of the size of the company and the sales ledger system can easily be handled manually without any problems. Jonsons bygg do not want to send out any penalty interest when the customers have not paid before maturity, only a reminder will be sent out. The reason is simply that Jonsons bygg do not want to hurt the relationship with their customers, since they are dealing with a lot of customer retention.

There are different types of services that Swedbank offers to make the sales ledger more efficient. Fadil Sadiku argues that these computerized products are easy to implement for any company. An OCR service was presented earlier as an option to increase the effectiveness of the sales ledger for Jonsons bygg. But there is a completely new product that Swedbank offer, which would fit Jonsons bygg perfectly in order to make the sales ledger system more efficient according to Fadil Sadiku. The service is called “bank giro payments”. Fadil Sadiku describes this product as a full-covered computerized service system that manages all the payments and balancing the sales ledger for Jonsons bygg as well as OCR scan. This means that all accounting is done electronically and gives Jonsons bygg the opportunity to automate the “check of routines”. Fadil Sadiku also comments that this system is extremely helpful for companies that are managing the sales ledger manually. This service is included in a package, which is called “better business”. Fadil Sadiku also ads that this specific computerized sales ledger system can be implemented for Jonsons bygg with no extra charge. Since Jonsons bygg already have the “better business” package arranged with Swedbank. This would result in a more efficient sales ledger system by:

- All payments are declared electronically in a single file and document
- No accounting is needed on paper
- The accounting is completed with all the information that is required with the payments
- Electronically OCR-reference checking

The computerized system will not only make the company more efficient and effective, it would also be more profitable according to Fadil Sadiku. It would be profitable in the sense that it would decrease the accounting cost as well as increasing the efficiency. The accounting cost will vanish because Jonsons bygg does not have the need for an financial

assistance that costs the company a lot of money compared by using the "bank giro payments" service from Swedbank.

4.1.2 Payment Routines

The company has simple payment requirements; 30 days of maturity for business firms and private person have 14 days to pay. Jonsons bygg have decided to have 30 days because they cannot claim to get paid before 30 days according to Fadi Babil. Private person does also have the right to pay within 30 days but by having 14 on the invoice is a way to get the money faster. Fadi argues that private person usually pays before the maturity if it says so on the invoice compared to business customers. Business customers always pay the invoice within a 30 days maturity because it is their right to do so and they are aware of that.

Jonsons bygg have written on the invoices that a penalty interest exists, which is 14 percent. But this is not computerized, because Jonsons bygg does not want to hurt the relationship with their customers. When a payment has not been made from a customer, a reminder will be sent instead of penalty interest. The reason why the company put a penalty interest on the invoice is to get the money within the 30 days.

Late payments from the customer have occurred but they have always paid says Fadi Babil. The company estimates that 10 percent of the customers will late with the payments every year. Jonsons bygg have a plan if these situations occur. As discussed above, the first step is to remind the customer that a payment has not been made. If the customer still refuses to pay, even tough the work is done from Jonsons bygg, the next step will then contact a debt collection company (inkassobolag). Luckily, Jonsons bygg have never had to face that problem.

Fadi Babil argues that the communication between the CEO and the craftsman needs to be strong, the chief operating managers has full responsibility to inform the CEO of everything that is happening on the work places.

Fadi Babil describes that the chief operating managers is the heart of the company. The relationship is important for the financial aspect as well. Figure 4 demonstrates the relationship within the company and how it is connected with the payout routines.

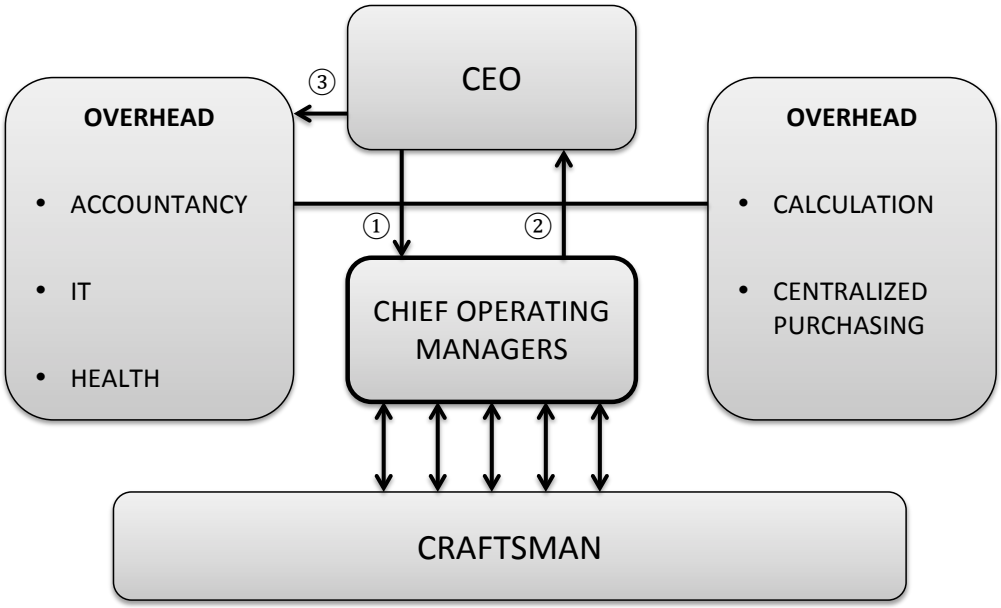

Figure 4: Organizational Structure of Jonsons Bygg

Fadi Babil describes that when the bills from the suppliers arrive, they are first being marked and bookkept by the financial assistance and then sent to the CEO which he will distribute the bills to the right chief operating managers (①). This step is done for the chief operating manager's needs to verify the price and quantity. If everything is right, it will be signed and sent back to the CEO (②) for final approval. The financial assistance gets the bill back for payment to supplier (③). All the suppliers have 30 days of maturity on their invoices as well. Jonsons bygg handles all the payouts manually because it is doable. Fadi Babil argues that the company manage approximately 15 invoices per week and do not feel the need to simplify the payout process by computerize it.

The procedure can be simplified by implementing the "bank giro payment" system that Swedbank offer. Fadil Sadiku argues that it is a matter of cost saving rather than efficiency for the company even though Jonsons bygg can manage the payment/payout procedure manually since there are only approximately 15 invoice per week. He refers to the wage costs of the financial assistance for Jonsons bygg.

The time interval between accounts payable and accounts receivable is a very big concern for Jonsons bygg since they cannot afford to bound capital by being inefficient. Fadi Babil argues that Jonsons bygg are very good with handling the time interval between accounts

payable and receivable. The cash to cash cycle is very short and Fadi Babil is very proud of how it is handled. Figure 5 describes how the cash-to-cash cycle is managed in the company.

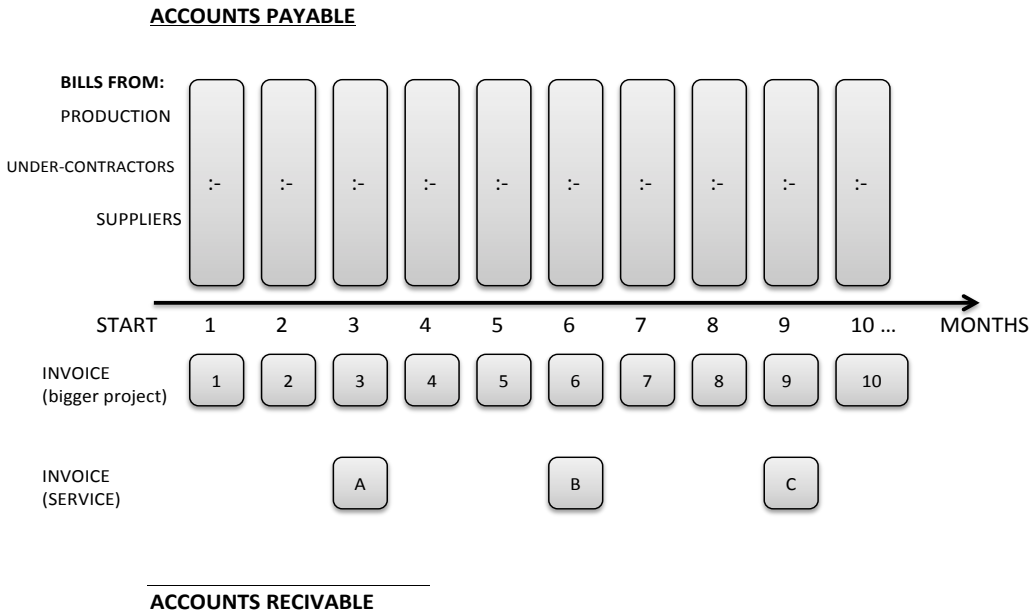

Figure 5: Relation between accounts payables and receivables

The black arrow is a time axel and the upper part illustrates accounts payables and the lower part illustrates accounts receivable. Fadi Babil describes that when a project has started, invoices from the suppliers and under-contractors are received (Upper part). Jonsons bygg then have 30 days to pay their suppliers. The company needs to get money in the firm to be able to pay their suppliers in time. Within the construction industry, Fadi Babil says that it is possible to send invoices to their customers even tough the project is till under construction. This is because the calculation and cost for that specific project is already done. Jonsons bygg already know what the total sum of that specific project is going to cost the firm and can then send out invoices once a month to their costumers. Jonsons bygg calls these invoices "lifts" and these are the numbered boxes in the figure (another example of how these lift are constructed, can be seen in appendix 3). The maturity dates of these invoices are usually before the maturity set from the supplier, in order to make sure that the money are available for the suppliers. Fadi Babil argues that this is possible because the calculations are already planned and Jonsons bygg needs to take advantage of that.

The company offers smaller service as well, this could be renovations or to set up a kitchen and so on. These account receivables are market with letters on the diagram. Jonsons bygg

cannot charge their customers before these services are completed. Since Jonsons have "lifts" on the big projects, there will always be money to cover the suppliers and under-constructers during the smaller services. These are the actions Jonsons bygg utilize to shorten the cash-to-cash cycle.

To able to perceive exactly how many days the capital is tied up for Jonsons bygg can be done by calculating the cash-to-cash cycle. Calculating the cash-to-cash cycle for Jonsons bygg gives us:

Days of account receivables		**Days of account payables**	
Accounts receivable	4292644	Accounts payable	3471308,19
Net sale	32872611,72	Cost of good sold	20980113,77
Days of receivables	**48 days**	Days of payable	**60 days**

Table 1: Days of restricted capital in account receivables and payables.

Table 1 demonstrates that the capital is bounded for 48 days in account receivables and capital is released for 60 days in account payables. It cannot be concluded if 48 days in bounded capital is to long or short yet. After joining all the elements for calculating the cash-to-cash cycle, one can determine the relation between account receivable and payable to predict if those numbers are healthy. Since Jonsons bygg do not have any warehouse costs, it will not be included for calculating the cash-to-cash cycle, which is a big benefit for the firm. This gives us a cash-to-cash cycle of:

$$0 + 48 - 60 = \mathbf{-12}$$

Zero stands for the warehouse costs for Jonsons bygg. Now when the numbers are added in the formula for cash-to-cash cycle, I can predict and interpret the results of the cash-to-cash cycle for the company. The formula for cash-to-cash cycle demonstrates that the company can hold the accounts receivable for 12 days before paying their supplier, which is very good. In other word, Jonsons bygg gets the money from their customers before the maturity date of the invoices from the suppliers. Figure 6 illustrates the relation between accounts payable and receivable for Jonsons bygg.

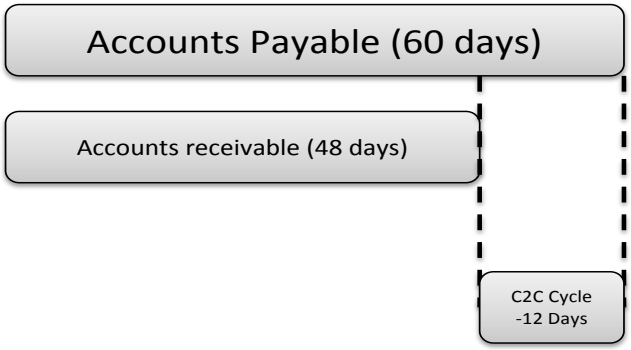

Figure 6: The cash-to-cash cycle

4.1.3 Make the Money Interest-bearing

According to Fadil Sadiku, Jonsons bygg uses a "money-market" account today that yields an interest of 0,50 percent, which is not the most profitable account. This is the only account that is being used. The invoices that are being sent out to the customers are connected with this account. By investing/placing the money on accounts with higher interest, could make Jonsons bygg more profitable. Fadil Sadiku explains that an alternative could be to place the money in "investment accounts" with higher interest. Fadil Sadiku describes the investment accounts that are available with Swedbank, which are:

INVESTMENT ACCOUNTS	
Fixed accounts:	**Interest**
3 months	2,40%
6 months	2,60%
12 months	2,75%
18 month	2,75%
24 months	2,85%
Boundless account	1,80%

Table 2: Investment accounts (Swedbank).

All of these accounts have higher interest than the money-market account that Jonsons bygg are placing/investing the money in right now. Fadil Sadiku describes that fixed account implies that Jonsons bygg needs to hold the money for that specific period. There is a possibility to place the money on a boundless account that yields an interest of 1,80 percent.

This means that the company can make how many transactions they want and needed. To use a boundless account is more appealing for Jonsons bygg, says Fadi Babil.

The difference in placing the money in todays account compared to the boundless investment account is demonstrated below.

Todays interest profit with 0,5% interest	
Average net sale each "lift"	1700000
Average interest profit per project	**3036**

Interest profit with 1,80% interest	
Average net sale each "lift"	1700000
Average interest profit per project	**11088**

Table 3: Comparisons between todays account and investment account.

There is a clear difference between the uses of these two accounts. These measures are calculated with the awareness of that Jonsons bygg can for sure hold the money from the customers in 12 days before paying the suppliers. And the interest profit is calculated on interest on these 12 days. The average “lifts” is the average of the sum on the invoices sent to the customer (appendix 3).

4.2 Liquidity Management

No liquidity measurement or analyses are made for Jonsons bygg. There are no numbers that describes the health of the liquidity within the company. Fadi Babil argues that they have control over both payments and payouts but have never made any measurements. Fadi also comments that an analysis over the liquidity is very interesting in order to actually know how it looks like. The quick ratio for Jonsons bygg is:

Quick ratio		
Liquid assets	short-dated debts	Quick ratio %
9688360,99	9017172,19	**107,4434511**

Table 4: Quick ratio for Jonsons bygg.

Since Jonsons bygg does not have any warehouse costs, quick ratio is the only relevant ratio for measuring the liquidity, because the current ration would have the same result as the quick ratio in this specific case.

4.2.1 Liquidity Budget and Reserve

Fadi Babil says that a liquidity budget is also something the company is missing but very interested in. The reason why any budget has never been made is because the lack of personnel within that area. A review is always done on the annual account to use as a guide for the following year but never a formal budget.

Fadi Babil says that it is the same story when it comes to liquidity reserve. It is something that the company will implement as well because nobody knows what will happen. Fadi Babil also comments that it would be more interesting to have a reserve if the money would be placed in a account with a higher interest, because the account the company are using today have almost no interest. Hence, the most of the profit goes to the parent company.

4.3 Short-term Financing

4.3.1 Factoring

Factoring is nothing the company has considered. They simply charge too much and Fadi Babil also ads that he do not like the idea that factors earn money through Jonsons bygg's profits. It is also a matter of the relationship with the customers as well, by having factors is not always healthy. Fadi Babil also argues that he tries to avoid suppliers that are using factors. Since Jonsons bygg have the possibility to charge the customers during a project, the need to get the money faster is not necessary. Simply because the cash to cash cycle is short.

Swedbank have a factoring service that Jonsons bygg can use. Swedbank takes then a charge of two percent of the invoice. If it would be profitable for Jonsons bygg to use the factoring service provided by Swedank, can be calculated. This calculation is again based on an average invoice of 1 700 000 Swedish crown.

Table 5 shows the cost of factoring and the total interest profit by having the money in the bank account immediately.

Factoring 2%	
Cost	1700000*0,02= 34000
Interest profit by getting the money immediately (1,8%)	2462

Table 5: Factoring cost with 2%

It will cost the company in average 34 000 Swedish crowns for each invoice and only earn 2462 Swedish crowns on interest profit, which is a big difference. Jonsons bygg have a strong cash-to-cash cycle and a quick ratio of 107,5 percent, which means that Jonsons do not have any liquidity problems. This means that using factoring is not optimal for Jonsons bygg because the company does not have the need to get money faster.

4.3.2 Leasing

Leasing is a very familiar area for Jonsons bygg. Leasing agreements are very usual since the company wants to spread the costs and cannot afford to buy all the equipment. Fadi Babil says that the possibility to upgrade the equipment after a couple of years is very attempting. Table 6 shows what the company is leasing and the amount (in Swedish crowns).

Leasing	Cost/Month (Swedish Crowns)
Cars (6 Cars)	19 029
Xerox Machine	1 601
Equipment	4 500

Table 6: Current leasing agreements for Jonsons bygg.

5 Analysis

This chapter is an analysis of the empirical findings. The findings will be analyzed with the theories that were presented in chapter 2.

5.1 Payments

5.1.1 Sales Ledger

Jonsons bygg have good control over their sales ledger. The sales ledger should include all information about receivables beyond what is available in the accountancy (Kirkby, 1993) and Jonsons bygg are aware of that. Since Jonsons bygg have control over all the elements that affects the cash flow, they are aware of the customers paying habits as well as the suppliers, which is a crucial factor within cash management (Soenen, 1993).

Even though Jonsons bygg are fully aware of the cash flow cycle, there are still some parts that can be managed more effectively. The problem is that the sales ledger is done manually, when there are computerized sales ledger systems, which would fit the company perfectly, according to Fadil Sadiku. Fadil Sadiku argues that the "bank giro payment" system will have a positive impact especially on Jonsons bygg overhead costs, accounts receivables and payables. The overhead cost will decrease since the use of the "bank giro payment" system implies that there is no need for an accountant in the company and Jonsons bygg would be more profitable as well as effective. The management of accounts payable and receivables will be handled electronically and Jonsons bygg will therefore have even better overview over their suppliers and customer.

A big issue concerning sales ledger for many companies is that they have not come across a good way to "check of" when payments are done by the customers (Larsson & Hammarlund, 2004). The "bank giro payment" service from Swedbank manages the "check of" as well, Jonsons bygg can then easily se if their customers have paid or if they are late with their payments which is time-saving.

5.1.2 Payment Routines

Late payment problem are one of the primary causes for business failure among smaller firms (Wilson, 2008). In viewpoint of cash management, get money as fast as possible is vital (Furrish & Hutchison, 2002). As discussed earlier, Jonsons bygg give their customers 30 days to pay or 14 days depending on the customer group. Fadi Babil describes that Jonsons bygg cannot claim their customers to pay before 30 days. Having these payment requirements of

30 days is not a problem for the company since all of Jonsons bygg suppliers also have a 30-day requirement. It is important to have payment requirements towards the customers that are healthy enough for customer retention (Wilson, 2006). The relationship between Jonsons bygg and their customers is very important since Jonsons bygg are mostly dealing with customer retention. Which means that it is the same customers that hire Jonsons bygg over and over again. Fadi Babil also ads that he does not want to destroy the relationship by having stricter payment requirements.

It is essential that the cash-to-cash cycle to be short as possible in order to avoid unnecessary tied up capital, which is the gap between accounts receivables and payables (Randall & Farris, 2009). Fadi Babil commented that he is very proud of how they manage the cash-to-cash cycle within the company and he should be. The bounded days of capital in account receivables is 48 days in relation to 60 days of account payables. Since the company do not have any warehouse that costs money. The cash-to-cash cycle results in minus 12 days. A negative cash-to-cash cycle is very impressive, that implies that Jonsons bygg can hold the entire sum of account receivable with 12 days before paying the suppliers. This shows that Jonsons bygg does not have a need to speed up the payments from the customers. Having the 30-day requirement on the invoices sent to the customers is healthy for both Jonsons bygg and the relationship with the customer.

The reason why Jonsons bygg can accomplish this cash-to-cash cycle is because the projects are calculated in detail before the projects begins. Since all the calculations are done before the start of the project, Jonsons bygg can create a payment plan (appendix 3). The payment plans are constructed to cover all the bills from the suppliers at the right time.

How Jonsons bygg manages the invoices from the suppliers could be handled more effectively. As it was described earlier, the bills circulate between the different departments manually within Jonsons bygg before the final approval of payment. That is very time consuming and costly for the firm. All these steps could be computerized. Going back to the system Swedbank offers, all of that time consuming procedures could be managed electronically. Because the “bank giro payment” system that was brought up earlier in this paper, contains the majority of features that Swedbank offers to make the whole payment system more effective. This is very important of a cash management viewpoint (Larsson & Hammarlund, 2004).

5.1.3 Make The Money Interest Bearing

From a cash management viewpoint, it is important to make the money interest bearing by investing the money in an account with high interest (Larsson & Hammarlund, 2004). The problem is that Jonsons bygg is currently investing the money in an account with very low interest, an account with 0,5 percent interest. The payments from the customers are directly transferred to that account. Switching to an account with higher interest is easy and more profitable as well. When discussing with Swedbank about the alternatives, there were some options that can make Jonsons bygg increase their interest profit. Jonsons bygg could invest the money on fixed account and/or on boundless account. One solution could be to connect the "bank giro payment" system with the boundless account since it allows transactions. That accounts yield an interest of 1,8 percent, which increases the interest profit by 260 percent compared to the current account.

The empirical findings showed us that Jonsons bygg will earn 11088 Swedish crowns each project in just interest if they switch to the boundless account with 1,8 percent interest. This is extra money that basically pops up by a simple phone call to Swedbank. These 11088 Swedish crowns are only calculated on the cash-to-cash cycle of minus 12 days. It is interesting to calculate with those 12 days because during those days, Jonsons bygg will have the full payment from the customers in the bank account. So this implies that Jonsons bygg will earn even more in interest profit because of the surplus of the account receivable after the payouts are done to suppliers. To calculate the remaining interest profit with 8 percent profit margin, we get:

$$(1): 18\,700\,000 * 0{,}08 = 1\,496\,000$$

$$(2): 1\,496\,000 * 0{,}018 = \mathbf{26\,928}$$

The first step is based on the sum of the project in appendix 3, multiplied with the total profit margin we calculated earlier. Second step is to take the profit times the yearly interest and see that Jonsons bygg would earn approximately 26 928 beyond the 12 days. To sum up the interest profit, we get approximately:

$$26\,928 + 11\,088 = \mathbf{38\,016}\ each\ year\ in\ interest\ profit$$

If we would do the same calculation but instead of using 1,8 percent, we use the account which is used now (0,5 percent), we get:

$$18\,700\,000 * 0{,}08 = 1\,496\,000$$

$$1\,496\,000 * 0{,}005 = \mathbf{7\,480}$$

Again, these are earnings by just switching accounts.

5.2 Liquidity Management

Jonsons bygg have never made any liquidity measures for examine the liquidity health. Liquidity measurements can determine if the company can afford to pay the short-term debts without external financing (Moss, 2006). Since Jonsons bygg is a smaller construction company, an efficient liquidity management is crucial for their survival (Sardakis et al., 2007). A good liquidity position is to shorten the cash-to-cash cycle as much as possible (Farris & Hutchison, 2002). The cash-to-cash cycle for Jonsons bygg was calculated to be minus 12, which is very good and implies that Jonsons bygg do not have the need financing from an external source (Moss, 2006). To shorten the cash-to-cash cycle any further is not required. It is not required in the sense that is very good at this moment and if Jonsons bygg want to shorten it, they have to shorten the day of maturity on the invoices sent to customers. If that is done, the relationship with the customers will be in balance (Wilson, 2006). If the situation was reversed, that Jonsons bygg's cash-to-cash cycle was long, then they would have to require faster payments from their customers and if that should not work, using an external financing source would be the only option.

Other measures such as current ratio (Gallinger, 1997) and quick ratio (Moss, 1993) can determine the liquidity position for the firm. Since Jonsons bygg do not have any assets such as warehouse, the current ratio and quick ratio is then the same, in this case. The quick ratio for Jonsons bygg at the end of year 2011 is 107,5 percent. A quick ratio over 100 percent implies that the firm has the ability to covet their short-term debt without any external source. (Moss, 1993).

The combination of having a quick ratio of 107,5 percent and a cash-to-cash cycle of minus 12 days is a proof that the liquidity management is managed in an efficient way. These two measures can also conclude that the working capital is positive as well. A positive working capital means that there are not too much capital that is locked up (Ekanem. 2010). The working capital for Jonsons bygg is:

$$Current\ asset - short\ term\ debts:$$

$$11\ 671\ 682{,}99 - 9\ 017\ 172{,}19 = \mathbf{2\ 654\ 510{,}8}$$

The importance is that Jonsons bygg keep maintain this type of planning in order to have healthy liquidity in the future as well. The issue is not to be more efficient; the issue will be to keep it efficient.

5.2.1 Liquidity Budget

According to Fadi Babil, Jonsons bygg are not constructing a budget. By many observation within the firm, I can conclude that Jonsons bygg are making a budget without them knowing it and it is done quit frequently as well. Since every project needs to be calculated in detail before it begins. This type of calculation contains all the information needed for a budget. A budget should have information such as all payments, payouts, dates, wages and so on (Pohlman et al., 1988). All the job estimates before any project contains all that information in detail, and it also includes a detailed timetable. Instead of making an annual or a quarterly budget, Jonsons bygg makes one for every project. This is the reason why Jonsons bygg can manage the relation between accounts payables and receivables in a healthy way and always having money in the transaction account. A further budget would just be time consuming, costly and unnecessary repetition.

5.2.2 Liquidity Reserve

A liquidity reserve is always good to have because this is a good way to hedge to company for any surprises (Larsson & Hammarlund, 2004). A good guide to know how much to use as a reserve, is to look at the cash-to-cash cycle and the quick ratio (Farris & Hutchison, 2002). A long cash-to-cash cycle will imply that a larger reserve is needed. Looking at the cash-to-cash cycle and quick ratio for Jonsons bygg, one can se that a big reserve is not needed. Jonsons bygg could put 20 percent of the earning before taxes in one of the investments account that was presented earlier each year. Even though Jonsons bygg can pay there short-term debts without any problem, a small amount of reserve can be used as a safety net. Looking at the income statement from 2011, the earning before taxes was 778 268.16 Swedish crowns. If 20 percent are used as a reserve, then these could be invested in a fixed investment account. If a six month fixed investment account is chosen, it will mean that 155 654 Swedish crowns will grow each year with an interest of 2,60 percent.

5.3 Short-term Financing

5.3.1 Factoring

Since Jonsons bygg have a very short the cash-to-cash cycle and quick ratio that indicates that no financing from an external source is needed, Jonsons bygg should definitely not use factoring. As it was exposed earlier, factoring is a very costly approach, especially for Jonsons bygg. The company is managing the liquidity in a good way, which means that factoring will just cost the company more money than being helpful at this moment. Factoring should only be used in those circumstances that the company is in need of speed up the cash cycle (Kirkby, 1993). If it were the case that Jonsons bygg's quick ratio was below 100 percent, then using a factor could be seen as a good solution. It is not worth it to loose 2 percent of the invoices just because getting the money faster, especially when it is not needed.

5.3.2 Leasing

Jonsons bygg are very familiar with leasing their equipment. Most of the common equipment is leased. Since the company is leasing they can spread out the cost. Trough leasing, Jonsons bygg can release a lot of capital, since the cars and equipment which is leased now cost a lot if money to buy. The positive feature with leasing most of the equipment is that Jonsons bygg will always have the newest technology available. This is because after the end of the contract, Jonsons bygg can upgrade their equipment with a leasing agreement that fits their finical need. Jonsons bygg ´s total leasing costs each year is:

$$(19029 * 12) + (1601 * 12) + (4500 * 12) = \mathbf{301\ 560}$$

The calculation above is based on the leasing agreements presented in the empirical findings and then multiplied with 12 in order to get the yearly leasing costs. This contains 6 cars, one Xerox machine and various equipment's. The difference in cost between purchasing these assets and leasing them is what Jonsons bygg have released by leasing these assets.

6 Conclusion

I will now conclude the liquidity position for Jonsons bygg with cash management viewpoint. The conclusion chapter will be based on the three questions from the problem statement.

Does Jonsons bygg have a healthy liquidity position at the beginning of 2012?

Even though Jonsons Bygg does not have any employees that manage the liquidity of the firm, Jonsons bygg are still handling the liquidity very well. The routines and the payment plan before each project is managed in an impressive way. The planning and accuracy is the key of why Jonsons bygg can handle the liquidity in an impressive way, even without any advanced financial experience. The quick ratio and cash-to-cash cycle demonstrates that Jonsons bygg have a healthy liquidity position at this moment. The quick ratio was calculated to be 107,5 percent, which is good. The cash-to-cash cycle is minus 12, which is impressive. Fadi Babil have found the opportunity to be able to get money in the company before the paying the suppliers which I believe is the main aspect of having a good liquidity position. The key for Jonsons bygg is to keep planning and organizing in the same way in the future as well.

Which factors within cash management will improve the liquidity for Jonsons Byggnads AB and how?

The cash-to-cash cycle and the quick ratio explain that Jonsons bygg have a healthy liquidity position but there are still some ways to make it more profitable with cash management thinking. I believe that the issue is that Jonsons bygg handles all the invoices manually as well as the accounting. In a viewpoint of cash management, these routines should be management as efficient as possible. The management of the invoices could be simplified by implementing the "bank giro payment" system from Swedbank. This program will computerize all of the invoices and it will manage the accountant as well. The program will serve the company for two reasons; it will save time and money. By implementing the program, the company does not need a financial assistant/accountant, which cost the company a lot of money. The company should also switch their bank accounts to a account that yields higher interest.

Can tied up capital be released with the viewpoint of cash management?

Jonsons bygg are already releasing a lot of capital by leasing the majority of their equipment. I can conclude that releasing capital through factoring is not a profitable approach since Jonsons bygg can pay their short-term debts without any external source of financing. Many

companies can release capital by trying to speed up the cash cycle, but a cash-to-cash cycle of minus 12 indicates that Jonsons bygg do not have any bounded capital in the transactions. Capital would be released if switching bank account to an account with higher interest. By implementing the "bank giro payment" program from Swedbank will release the most capital since it would save time for the company and the cost for a financial assistant/accountant will vanish. The money saved from that will be seen as released capital.

6.1 Future research

Since cash management is a very broad subject and includes more elements than this paper presents, I have a couple of suggestions for further research. As Jonsons bygg do not have any business overseas, I had to delimitate international cash management. It is very interesting to study firms with global business and can therefore include topics such as currency risk management. Larger organizations with bigger range of customers and higher turnover where the payment routines are more complex can be interesting to investigated.

A quantitative study on how middle size company's in Sweden manages the liquidity through cash management thinking is an interesting topic, since the importance for smaller and middle size companies to manage their liquidity effectively for their survival (Sardakis et al., 2007).

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7 Appendices

7.1 Appendix 1 – Statement of Income

Jonsons Byggnads AB
556148-4253

	Statement of Income
Revenue	**2011-12-31**
Sale	
Sale	18 850 411,00
Sale Extend Tasks	15 582 329,84
Sale Service, Build VAT	-1 180 195,30
Revenue Vehicle	59 003,00
Revenue Advertisement	0,00
Rounding off the Price	12,18
Castigation Ongoing Tasks	117 051,00
Revenue Finished Task, not billed	-556 000,00
Sum Revenue	**32 872 611,72**
Sum Operating Income	**32 872 611,72**
Costs	
Material and Goods	
Change in Accumulated Cost	188 000,00
Filling, ground	-108 474,51
Ground Complementary	-7 925,63
Lines in Ground	0,00
Shape	-42 231,68
Armory	-50 664,80
Concrete, Mortar	-243 440,06
Concrete	-197 652,81
Brickwork, Compo	-125 727,64
Radiator	-11 775,93
Laminated Wood	-157 923,58
Smithery	-29 468,20
Wood Light and Steel Beams	-584 655,24
Panels	-13 491,97
Spline	-1 137,52
Isolation	-79 373,25
Cellular Plastic	-29 201,69
Sealing Layer and Sheet	-122 263,14
Sheave	-388 860,26
Surface Layer 1	-445 918,42
Colour	-19 301,41
Tile, Clinkers and Mosaic	-32 019,55
Spackle	-217,44
Surface Layer 2	-34 170,50
Windows, Doors	-1 781 800,79
Door, Metal	-6 260,00

Jonsons Byggnads AB
556148-4253

	2011-12-31
Decoration	-326 600,62
Cabinet Decoration	-1 192,72
Equipment	-593 443,99
Fixing Device	-86 222,21
Special Material, Other	-4 081,14
Demolition, Reinforcement	0,00
Filling, Ground Entr	-3 176 301,00
Ground Complementary	-5 025,00
Concrete Contract	-100 230,00
Bricklaying, Compo Contract	-43 664,00
Radiator Contract	-2 070 820,00
Form Contract	-101 847,00
Isolating Contract	-25 500,00
Purchase Service reversed VAT	-739 412,00
Sheet Entr	0,00
Surface Layer Contract 1	1 248 361,00
Colouring	-525 151,00
Tiling	-73 646,00
Surface Layer Contract 2	-520 337,00
Floor	-14 781,00
Floor Evening	-11 567,00
Windows, Doors Entr	-175 564,00
Decoration	-17 823,00
Equipment Entr	-80 574,00
Special Contract	-706 938,00
Demolition, Penetration	-9 154,00
Urban Renewal	-303 120,00
Staking	-6 975,00
Cleaning	-8 264,00
VS	-1 127 253,00
Ventilation	-523 727,00
Electricity	-1 997 356,00
Elevators, Escalators	0,00
Architect	-23 379,99
Constructor	-172 304,75
Special entrance	-33 711,55
Temporary Facility	-227 507,92
Fence	-21 056,91
Rent Street Land	-50 733,00
Safety Device	-15 498,97
Cradle	-190 618,16

Jonsons Byggnads AB
556148-4253

	2011-12-31
Temporary Construction	-13 493,01
Temporart Installationas	-25 866,25
Transportations and Lifts	-107 868,28
Transportation to/from Workplace	-60 425,07
Rent Machine	-378 769,90
Purchase Machine	-89 506,95
Winter and Energy Cost	-46 425,02
Electricity Consumption	-6 374,42
Hand Tool, Safety Equipment	-159 784,76
Hand Tool, Device	-19 276,05
Clothes	-22 860,78
Sanitation and Supervision	-265 580,89
Public Workplace	-62 678,79
Stationary	-257,65
Transportation in Workplace	-2 854,00
Loader-digger and Earthmover	-24 710,00
Lifting Devices	-7 720,00
Sum Material and Goods	**-20 980 113,77**
Before-tax Profit	**11 892 497,95**
Other External Costs	
Office Rent	-10 000,00
Electricity	-63 325,87
Water and Drain	-1 314,48
Proparty Tax	-4 240,00
Rent/Leasing Inventory	0,00
Consumption Inventory	-58 517,95
Computer Software	-5 700,00
Consumption Material	-10 635,68
Reperation and Maintenance Mach.	-16 463,81
Car Tax and Motor Inspection	-35 287,00
Diesel Car	-122 660,70
Car Miscellaneous	-41 313,12
Car Reparations	-52 537,34
Car Insurance	-21 214,00
Gasoline Car	-1 278,62
Leasing Car	-222 384,62
Mobile Crane Cost	-1 920,00
Reparation Mobile Crane	-10 188,00
Tax Car Inspection	-2 192,00

Jonsons Byggnads AB
556148-4253

	2011-12-31
Diesel Tractor/Truck	-830,82
Reparation Tractor/Truck	-6 676,00
Insruance Tractor/Truck	-3 726,00
Travel Cost	0,00
Advertising	28 050,75
Advertising Print	0,00
Other Advertising Costs	-62 471,50
Collection Charge	-2 104,75
Representation deductible	-82 613,63
Representation not deductible	-26 767,81
Warranty	0,00
Stationary, Printed Matter	-61 684,31
Phone Cost	0,00
Newspaper and Specialist Literature	-9 224,85
Miscellaneous Costs	-18 794,00
Surveillance Cost	-8 197,76
Service Cost	-96 908,00
Phone Cost	-20 116,50
Mobile Phone Cost	-48 815,59
Post	-4 837,80
Company Insurance	-30 802,00
Deductible at Damage	-6 420,50
Customer Loss	0,00
Auditing Expenditure	-27 000,00
Accounting Services	-37 900,00
ADB-Service	-112 189,19
Consultant Fee	0,00
Bank Charge	-7 106,00
Other External Services	-24 615,50
Union Costs Deductible	-9 450,50
union Costs not Deductible	-1 150,00
Miscellaneous Other Costs	-150 050,00
Not deductible External costs	-17 636,00
Penalty Charge not Deductible	0,00
Sum External Costs	**-1 587 713,73**

Jonsons Byggnads AB
556148-4253

	2011-12-31
Staff Costs	
Wage Collective Staff	-4 770 785,91
Change Accumulated Wage	-159 821,14
Wage Craftsmen	-1 919 702,24
Car Compensation Tax-free	-122 576,47
Car Compensation Liable to Tax	-28 605,99
Other Compensation Costs	0,00
Individuall Retirement Annuity	-201 568,00
Collectum	-98 682,00
Medical Treatment Insurance	-2 952,00
Employment Tax	-1 839 867,00
Seperate Wage for Pension	-100 070,00
Arranged Insurance	-151 584,00
Education	-13 194,50
Health Care Deductible	-31 682,73
Staff Reperation Deductible	-32 355,44
Staff Reperation not Deductible	-32 870,50
Acquired Grant for Staff	204 682,00
Casualty Insurance	-924,00
Sum Staff Costs	**-9 302 559,92**
Sum Operating Costs	**-31 870 387,42**
Results Before Depreciation	**1 002 224,30**
Depreciation	
Depreciation on Properties	-41 268,00
Depreciation on Inventory	-142 251,00
Depreciation Computers	-4 768,00
Sum Depreciation	**-188 287,00**

Jonsons Byggnads AB
556148-4253

	2011-12-31
Other Operating Costs	
Loss on Sale	0,00
Sum Other Operaring Costs	**0,00**
Results After Depreciation	**813 937,30**
Financiall Income and Costs	
Interest Profit on Current Assets	8 722,82
Interest Profit Tax Account	7 660,00
Revenue Sale on Shares	0,00
Interest Costs	-40 897,96
Interest Costs Tax Account	-11 154,00
Sum Financiall Income and Costs	**-35 669,14**
Earning Before Taxes	**778 268,16**
Extraordinary Income and Costs	
Extraordinary Income	50,00
Extraordinary Costs	-1 040,00
Not deductible Other Costs	-5 929,00
Sum Extrordinary Income and Costs	**-6 919,00**
Result Before Year-end Adjustements and Tax	**771 349,16**
Year-end Adjustements	
Return, Periodicity Fund	0,00
Change, Depreciation Beyon Plan	175 000,00
Sum Year-end Adjustement	**175 000,00**
Results Before Taxes	**946 349,16**
Tax	
Tax on Result	-270 537,00
Sum Tax	**-270 537,00**
Result	**675 812,16**

7.2 Appendix 2 - Balance-sheet

Jonsons Byggnads AB
556148-4253

	Balance-sheet
Assets	**2011-12-31**
Capital Assets	
Buildings	1 031 694,00
Depreciation Buildings	-152 894,00
Land	547 506,00
Inventory	2 074 503,00
Depriciation Inventory	-1 526 129,00
Inventory Computers	57 042,00
Depriciation Computers	-48 400,00
Sum Capital Assets	**1 983 322,00**
Current Assets	
Accounts Receivables	4 292 644,00
Account Receivables ROT	298 299,00
Unsure Account Receivables	0,00
Tax Account - Set Of Tax	7 901,00
Tax Demand	300 396,00
Receivables Parent Company	619 088,00
Interim Claims	811 000,00
Deferred Rental Charge	33 315,00
Deferred Expenditure	118 811,00
Deferred Insurance Premium	0,00
Observation Costs	116 809,00
Cash	3 012,40
Föreningssparbanken	3 079 849,20
Föreningssparb. VP-konto	7 236,39
Sum Current Assets	**9 688 360,99**
Sum Assets	**11 671 682,99**
Equity and Debt	
Equity	
Share Capital	-100 000,00
Reserve Fund	-20 000,00
Balanced Results	-1 525 362,64
Result for the Year	-675 812,16
Sum Equity	**-2 321 174,80**
Untaxed Reserve	
Depriciation beyond inventory	0,00
Sum Untaxed Reserve	**0,00**

Jonsons Byggnads AB
556148-4253

	2011-12-31
Long-term Debts	
Debts 8150-5 595.773.056-6	-433 336,00
Short-term Part debts Swedbank	100 000,00
Sum Long-term Debts	**-333 336,00**
Short-term Debts	
Ongoing Tasks	-562 160,00
Account Payables	-3 471 308,19
Tax Debts	0,00
VAT Accounting	-2 430 484,00
Staff Tax Account	-144 917,00
Set-off Employment Tax	-152 587,00
Short-term Debts	-100 000,00
Debt to Parent Company	0,00
Debt to Kindred Person	-8 283,00
Accumulated Wage	-367 919,00
Accumulated Leave Wage	-522 864,00
Accumulated Social Charge	-254 340,00
AccumulatedDistinguish Wage	-100 070,00
Other Short-term debts	-902 240,00
Sum Short-term debts	**-9 017 172,19**
Sum Equity and Debt	**-11 671 682,99**

7.3 Appendix 3 – Payment plan "lifts"

Payment plan (lifts)

Project number:	Project name:	Local Manager:	Date:	Established by:
1009111	**Trollberget 8**		**2011**	**FB**

Activity		Total for activity	2011-01-12	2011-02-12	2011-03-12	2011-04-12	2011-05-12	2011-06-12	2011-07-12	2011-08-12	2011-09-09	2011-10-16	2011-11-13	
1	Planning/estsablishment/demolition	450 000	324 500	125 500										450 000
2	Groundwork	800 000	120 000	250 000		50 000			150 000				230 000	800 000
3	Basic design	700 000		100 000	600 000									700 000
4	Foundation	5 950 000			300 000	3 865 000	1 785 000							5 950 000
5	Roof complementary	1 100 000					300 000	600 000	100 000		90 000	10 000		1 100 000
6	Windows/doors	1 550 000						1 000 000	400 000		30 000	40 000	80 000	1 550 000
7	Interior Wall/heck	600 000							400 000	100 000	100 000			600 000
8	Surface layer indoor	1 150 000							20 000	530 000	250 000	250 000	100 000	1 150 000
9	Compo	550 000							50 000	200 000	150 000	100 000	50 000	550 000
10	House complementary	750 000							200 000	200 000	50 000	150 000	150 000	750 000
11	Installations	4 250 000		100 000	100 000	200 000		1 000 000	500 000	700 000	1 100 000	250 000	300 000	4 250 000
12	Decoration/lists/woodwork	850 000									100 000	500 000	250 000	850 000
13	**Deposited sum 935,000 kr**													
	Total sum	***18 700 000***	**444 500**	**575 500**	**1 000 000**	**4 115 000**	**2 085 000**	**2 600 000**	**1 820 000**	**1 730 000**	**1 870 000**	**1 300 000**	**1 160000**	**18 700 000**
	Deposited to final inspection	935 000	44 450	57 550	100 000	411 500	208 500	113 000						18 700 000
	Payment after approved final inspection	935 000												
	Contract sum	18 700 000												
	Billing sum		**400 050**	**517 950**	**900 000**	**3 703 500**	**1 876 500**	**2 487 000**	**1 820 000**	**1 730 000**	**1870 000**	**1 300 000**	**1 160 000**	

7.4 Appendix 4 – Key Ratios and Calculations

Profit margin		
Earnings before taxes	current assets	Profit margin
778268,16	9688360,99	**8%**

Quick ratio		
Liquid assets	short-dated debts	Quick ratio %
9688360,99	9017172,19	**107,4434511**

Days of account receivables		**Days of account payables**	
Accounts receivable	4292644	Accounts payable	3471308,19
Net sale	32872611,72	Cost of good sold	20980113,77
Days of receivables	**48 days**	Days of payable	**60 days**

Cash-to-cash cycle		
days of receivale	days of payables	Cash-to-cash cycle
48	60	**-12**

Todays interest profit with 0,5% interest		
Average net sale each "lift"	1700000	
Yearly interest profit	8500	(23/day)
Keeping the money for 12 days	276	
After 11 "lifts"	**3036**	(average interest profit each project)

Interest profit with 1,80% interest		
Average net sale each "lift"	1700000	
Yearly interest profit	30600	(84/day)
Keeping the money for 12 days	1008	
After 11 "lifts"	**11088**	(average interest profit each project)

7.5 Appendix 5 – Interview Guide

Interview Guide

This is an interview guide that was used for both Jonsons Bygg and Swedbank. These questions are constructed as a guideline for an open discussion. These interview questions was answered and verbally on a face-to-face meeting. The question quide were sent to Fadi Babil and Fadil Sadiku before the meetings in order for them to be prepared.

Jonsons Byggnads AB

Cash Management

- Is cash management a familiar concept within Jonsons bygg?
- What is done to strengthen the firm's liquidity?
- Is there anyone in the firm who is hired to manage the liquidity?
- Do you have any cooperation with a bank?

Payments & Payouts

- Can you describe how the cash flow cycle for Jonsons bygg looks like?
- How does the daily work look like?
- What is the maturity of the invoices to you customers?
- What is the usual maturity of the invoices from suppliers?
- Do you have any penalty interest when customers are late with payments?
- Is the payment/payout computerized?
- What do you do in order to speed up the payments from the customers?
- Do you have any sort of discounts?
- Does it happen that the customers are late with the payments?
- Can you describe the relation between the financial department with the production?
- What bank accounts are used today?

Liquidity Management

- Is a budget made?
    - If yes, which factors are used to form the budget?
    - If no, why?
- Do you have any liquidity reserve?
    - If yes, how much?
- Do you make any liquidity calculations (key ratios)?

Short-term Financing

- Does the company have any factor that buys the firms account receivables?
- Do you lease anything?
    - If yes, what and how much?
    - If yes, why do you lease?

Swedbank

- Can you describe your cash management service?
- How do Swedbank help other companies with their liquidity issues?
- Can you offer a product that can computerize Jonsons bygg's sales ledger system?
- What accounts are Jonsons bygg using today?
- What accounts can you offer Jonsons bygg that yields a higher interest on those being used today?
- Can these accounts be used as a transaction account as well?
- Is there any product that Swedbank offer to Jonsons bygg that can computerize the invoices?
- Does these systems keep track on the maturity of the invoices from the suppliers?
- Can you offer OCR-service for Jonsons or can you recommend other systems which suits the company better?