研究ノート

A NOTE ON MARRAH'S "MANAGING RECEIVABLES"

by

HIROAKI SETO

Marrah 〔1〕 investigated the optimal policy for managing receivables to combine rate of return on investment into the amount of working capital. His survey revealed a great increase in the investment in receivables. He says, "in those industries where receivables constitute a high percentage of total assets and financial resources are limited, planning and controlling the investment in receivables will become increasingly important." This holds in Japanese cases. In the firms manufacturing consumer durables and similar products, the longer collection period of accounts receivables would interrupt the investment in equipments in the right levels.

According to my sample survey of interview, the collection period (=accounts & notes receivables / monthly net sales) in the industries of motor vehicle, electrical appliances for home use, sash, construction machinery and so on amounts to 6.23 months in March 1972. The ratio of the value to liabilities and net worth is 0.43 (Table 1), whereas 0.30 is the same ratio of all the manufacturing firms with capital stocks of $0.325 million and more. This large ratio marks with a minus sign to the profit before taxes (Table 2). To divide the accounts receivable into two parts, the manufacturing and the sales, the manufacturing firms incorporate their subsidiary sales companies (being abbreviated to MSC), which are self-sustaining sales divisions and deal with the goods manufactured by the parents.

REMARK 89 companies with capital stocks of 0.325 million and more were drawn at random from 208 manufacturing firms owning MSC. Financial executives were interviewed.

The parent manufacturing firms can collect the receivables in 2.49 months (Table 3). The parent receives a promissory note drawn by MSC for products, and the former has the note discounted by bank, if necessary. On the one hand the estimate of the parent's turnover period of notes receivable (drawn by MSC) discounted by bank is 1.75 months. On the other hand the estimate of the MSC's turnover period of accounts & notes receivable is 4.83 months (Table 4).

The profits before taxes of the parent manufacturing firms and MSC are both marked with plus signs (Table 5). As mentioned above the consolidated profit before taxes is minus. This suggests that the gains of the parent companies are derived from "unrealized revenue", which will be realized by MSC at next operating period.

The high economic growth rate keeps such a MSC system in perfect working order. About eighty manufacturing firms of middle and large scale in the industries mentioned above make full use of the system.

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REFERENCE

〔1〕 MARRAH, G. L. (1970); "Managing Receivables", *Financial Executives*, Vol. 38, No. 7.

Table 1 Consolidated turnover periods

March 1972

		month
(1)	Accounts & notes receivables	4.36
(2)	Notes receivables discounted by bank	1.88
(3)	Borrowed money (short-term) from bank	2.52
(4)	Stockholder's equity	2.55
(5)	Liabilities & net worth	14.57
(6)	{(1)+(2)}/(5)	0.43

Table 2 Consolidated Profit and Loss Statement

October 1971 ～ March 1972

	%
Sales	100
Cost of Sales	79.04
Selling, administrative & general expenses	19.11
Operating profit	1.85
Non-operating income	4.69
Non-operating charge	6.89
Interest & discount charge paid	5.50
Profit before taxes	−0.36

Table 3 Turnover periods, Parent manufacturing firms

March 1972

		month
(1)	Accounts & notes receivable (drawn by MSC) to MSC	2.49
(2)	Notes receivable discounted by bank	1.75

Table 4 Turnover periods, MSC

March 1972

	month
(1) Accounts & notes receivable	4.35
(2) Notes receivable discounted by bank	0.48

Table 5 Profit and Loss Statement

October 1971 ~ March 1972

	% Parent	% MSC
Sales	100	100
Cost of Sales	86.27	87.00
Selling, administrative & general expenses	11.12	11.86
Operating profit	2.61	1.14
Non-operating income	3.64	1.85
Non-operating charge	5.67	2.62
Interest & discount charge paid	4.57	2.07
Profit before taxes	0.58	0.37