



## AN ANALYSIS OF WORKING CAPITAL MANAGEMENT AND CORPORATE PROFITABILITY OF ASHAKA CEMENT PLC

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### ABSTRACT

The paper examines the impact of working capital management on the profitability of Ashaka cement plc for five years period (2010-2014) using secondary data generated from annual reports and accounts of the company and the Nigerian stock exchange fact book. Profitability being the dependent variable is proxied by ROA while the independent variable-Working Capital Management is proxied by the working capital management components of namely the Average Collection Period (ACP), Average payment period (APP), Inventory Turnover in days (ITID) and Cash conversion Cycle (CCC). Descriptive statistics and the OLS regression were used for the purpose of analysing data using E-Views. ACP was at first found to be insignificant as shown by the Jarque-bera test and therefore dropped from the regression model. The result shows that both ITID and CCC have significant and negative relationship with ROA whereas APP on the other hand shows a positive relationship despite having significant impact on ROA. The study therefore recommends that, the company's profitability will improve if they utilize more efficient ways of managing their working capital and this could be achieved by ensuring the procurement of enough inventories to be used in production over a reasonable period of time, abiding by the credit terms offered to the company by its creditors and finally, ensuring that cash conversion cycle is always maintained at a minimum level.

**KEYWORDS:** Profitability, operational expenses, working capital, resource utilization

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