INVENTORIES, CASH AND RECEIVABLES

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Inventories serve several purposes. Firstly, they ensure a continuous supply of goods to meet customer demand. Secondly, they act as a buffer against uncertainties in supply and demand. Additionally, maintaining inventories can facilitate economies of scale in production.

Some common techniques include the Economic Order Quantity (EOQ) model, which balances ordering costs and holding costs; Just-In-Time (JIT) inventory management, which aims to minimize inventory by receiving materials just in time for production; and ABC analysis, which categorizes items based on their importance and controls them accordingly.

One method is based on the value of inventory, categorizing into high-value, medium-value, and low-value items. Another approach is by the frequency of use, dividing into fast-moving, slow-moving, and non-moving items.

The main motives include transactional needs, to meet day-to-day expenses; precautionary reasons, to handle unexpected events; and speculative motives, to take advantage of potential investment opportunities.

Techniques include optimizing cash balances, using cash budgets, speeding up cash collections, and delaying cash payments.

Receivable management involves overseeing and controlling the amounts owed to a business by its customers. This includes credit granting policies, monitoring payment patterns, and implementing collection strategies to minimize bad debts and optimize cash inflows.

Overall, understanding these financial aspects is crucial for effective management and optimization of business resources.