



Received: 02-03-2024
Accepted: 12-04-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Short-term Asset Management at Sky Real Estate Investment and Services Joint Stock Company

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Abstract

In the production and business activities of every enterprise in any field, assets in general and short-term assets in particular always play an extremely important role. Indeed, short-term assets are present in most stages of an enterprise's operations from storage, production to circulation and ensure that the enterprise's business processes run smoothly and smoothly. Innovation in financial management is one of the top issues of concern and has a direct impact on the survival of Vietnamese businesses. In financial management, managing business assets is a very important part. Improving the efficiency of short-term asset management is a measure to improve the solvency of businesses. Using short-term assets effectively will help businesses save costs and create necessary liquidity to

promote effective production and business activities. Short-term asset management directly impacts the profitability and risk of the business. Therefore, to achieve the goal of maximizing profits and maximizing value for owners, businesses must manage short-term assets effectively. The article studies the theory of the concept and role of short-term asset management in enterprises, studies the current situation of short-term asset management through short-term asset structure, cash management, and accounts receivable. revenue and inventory in the enterprise; From there, we propose solutions to improve the efficiency of short-term asset management at Sky Real Estate Investment and Services Joint Stock Company.

Keywords: Short-term Asset Management, Inventory Management, Cash Management, Accounts Receivable Management

1. Introduction

In today's market economy, to conduct business, any enterprise must have assets. In the process of integration and development with the world economy, asset management requires each business to focus on using them flexibly. Using assets effectively is important and urgent for businesses in their production and business activities. The issue of how to improve the efficiency of using short-term assets of an enterprise is a matter of scientific significance, is important in the market competition of enterprises and always receives attention. the interest of many audiences outside the business. Moreover, nowadays in any business activity, the assets of the business are always placed in the most important position.

In reality, despite being aware of the importance of short-term asset management, not all businesses organize the management and use of short-term assets effectively. This depends greatly on the qualifications of the business leadership team and unpredictable fluctuations in the economy. Although there are still many difficulties in capital and competitiveness, Sky Real Estate Investment and Services Joint Stock Company is still steadily growing and doing business profitably, with the income of employees increasing day by day. improved and fully fulfilled its obligations to the State. In recent years, the Company has always paid attention to the issue of improving the efficiency of short-term asset management and has made positive efforts in production and business activities, constantly improving quality and progress. construction level. However, the effectiveness of the Company's organization and short-term asset management is still not high. Therefore, the Company needs practical solutions to improve the efficiency of short-term asset management in the coming time. Improving the efficiency of short-term asset management is a complex problem that requires not only knowledge and ability but also practical experience to solve. Therefore, learning about short-term asset management at businesses is an urgent issue in today's economy.

2. Research overview

Concept of short-term asset management

Short-term assets are always a part that plays a very important role in the production and business process of every enterprise. Therefore, effective short-term asset management is always the top concern of businesses.

According to Douglas R. Emery (2003) ^[2] "Current asset management involves the appropriate investment in cash, highly liquid securities, receivables and inventory, as well as the level and combination of short-term funding sources".

According to Robert Parrino (2011) ^[8] "Current asset management answers two questions: What is the appropriate amount of short-term assets that a business needs to hold and how should these short-term assets be financed?"

Berk and DeMarzo (2014) ^[1] also give the following opinion: "Current asset management is the management of short-term assets such as cash, inventory and short-term debt". Accordingly, this perspective refers to the management of a company's short-term capital, which is an essential element of corporate financial management.

According to the opinion of Moshe Ben Horim (1987) ^[6], "Short-term asset management is the combination of using many different measures to maintain a volume of short-term assets with a reasonable structure, in order to improve efficiency. Manufacturing business"

Thus, we can generally understand short-term asset management as follows: Short-term asset management is the management of cash, inventory, receivables, other short-term assets and research and analysis. Analyze to come up with appropriate policies on short-term assets to help businesses achieve the highest business efficiency.

The role of short-term asset management

To ensure that the production and business process runs smoothly and smoothly, business administrators must pay special attention to short-term asset management. Once the efficiency of short-term asset management is improved, the efficiency of production and business activities of the enterprise will inevitably also improve. On the contrary, if businesses do not have good short-term asset management, they will face business failure, as researchers Hassan, Imran, Amajad & Hussain (2014) stated: Often, companies fail due to a lack of appropriate short-term asset management methods. Or according to researcher Adu (2013), appropriate short-term asset management is essential for any company and that is why it has become an important factor determining efficiency. business results of the enterprise. The goal of short-term asset management is not only to ensure the reasonable and economical use of short-term assets, but also has an important meaning in saving costs, promoting product consumption and payment. Pay debts in a

timely manner. The role of short-term asset management is specifically shown in the following aspects:

- Short-term asset management helps businesses use each part of short-term assets reasonably and effectively. Indeed, increasing the speed of short-term asset turnover allows businesses to shorten capital turnover time, from there, capital is recovered faster, can reduce the amount of investment capital needed while still repaying capital. Able to produce a volume of products to meet production needs. In addition, short-term asset management contributes to reducing production costs, circulation costs and lowering product prices for businesses.
- Short-term asset management helps the enterprise's production and business process run smoothly. Thus, businesses do not have to suffer losses due to production interruptions or temporary insolvency. At the same time, increasing the speed of short-term asset turnover allows businesses to shorten capital turnover time, from there, capital is recovered faster, reducing the amount of required investment capital while still repaying capital. Able to produce a volume of products to meet production needs. In addition, short-term asset management contributes to reducing production costs, circulation costs and lowering product prices for businesses. Therefore, effective short-term asset management helps businesses reasonably and effectively use business capital and each asset component.
- Short-term asset management helps businesses always ensure solvency, thereby helping businesses maintain reputation with partners and credit institutions. This will be the basis for businesses to expand their ability to mobilize capital as well as establish long-term business relationships with suppliers. In addition, appropriate short-term asset management also gives businesses certain advantages such as enjoying trade discounts, payment discounts, etc. Thereby helping businesses save costs and increase profits. profits for businesses.
- Through appropriate credit policies, short-term asset management helps businesses build close relationships with customers and contributes to increased revenue, thereby helping businesses grow profits. Thus, short-term asset management is an important management activity in businesses, a necessary requirement to help businesses achieve their business goals.

3. Current status of short-term asset management at Sky Real Estate Investment and Services Joint Stock Company

Short-term asset structure

Table 1: Structure of the company's short-term assets in the period 2020-2023

Unit: Billion VND

| S. No | Asset | 2020 | | 2021 | | 2022 | | 2023 | |
|-------|---------------------------|---------|----------------|---------|----------------|---------|----------------|---------|----------------|
| | | Value | Proportion (%) | Value | Proportion (%) | Value | Proportion (%) | Value | Proportion (%) |
| 1 | Short-term assets | 116.385 | 23.57 | 114.544 | 17.79 | 162.576 | 22.21 | 243.704 | 28.83 |
| 2 | Cash and cash equivalents | 57.293 | 11.60 | 57.424 | 8.92 | 100.34 | 13.71 | 177.824 | 21.04 |
| 3 | Short-term receivables | 54.602 | 11.06 | 51.086 | 7.94 | 61.807 | 8.44 | 64.456 | 7.62 |
| 4 | Inventory | 0.321 | 0.06 | 0.474 | 0.07 | 0.137 | 0.02 | 480.254 | 56.81 |
| 5 | Other current assets | 4.169 | 0.84 | 5.560 | 0.86 | 0.292 | 0.04 | 0.943 | 0.11 |

Source: Financial report of Sky Real Estate Investment and Services Joint Stock Company, 2020-2023

Cash and cash equivalents will have unstable fluctuations in 2020-2023, specifically increasing slightly from VND 57,293 billion (2020) to VND 57,424 billion (2021) and to VND 177,824 billion (2023).

The company's inventory over the years has been relatively stable and at a low level, but by 2023 it will increase sharply by VND 480,254 billion, due to the fact that in 2023 the company invests in real estate construction projects that have not yet been handed over.

When managing cash and cash equivalents, cash still accounts for a larger proportion than bank deposits. In 2022, cash accounts for 81.59% of bank deposits. This shows that the Company often uses cash in payments. In 2023, the amount of cash will decrease significantly, down 36.67% compared to 2022 because the Company has used cash to invest in projects and construction works in 2023.

Management of cash and cash equivalents

Money is a flexible asset, easily converted into other types of assets, helping businesses take advantage of business opportunities. On the contrary, money is also an easy subject to loss and corruption. Therefore, the company needs to strictly manage cash capital. Cash capital also reflects the solvency of the business at that time. For each certain business scale, a corresponding scale is often required to ensure solvency as well as ensure the company's financial situation.

There is an encouraging sign in 2023: Bank deposits increase by 162.48% compared to 2022. The company has used payment by transfer instead of cash. This payment method is safer and more cost-effective than using cash. By 2023, the company's cash will increase again and dominate the amount of money in circulation, accounting for 60.7%.

In 2023, a number of projects and works that have been completed and handed over to customers will be paid by customers in cash and a small amount by bank transfer, so the amount of bank deposits will fluctuate insignificantly. To reduce financial costs for working capital, we must shorten the cash cycle of the business. This is an important factor, but in the management of short-term asset utilization, it is rarely talked about.

Management of accounts receivable

Reality shows that businesses often appropriate capital from each other to increase capital for production and business, or in other words, receivables and payables frequently arise. However, an increase in receivables means that the amount of capital appropriated by the enterprise increases, causing payment risks to increase, causing difficulties for the financial situation of the enterprise. Therefore, reducing receivables, quickly collecting payments, and properly appropriating capital are important issues in short-term asset management.

The company's receivables only include customer receivables and the amount of these customer receivables fluctuates from year to year. In 2021, it will decrease by 3.12% compared to 2020, continuing to change slightly through 2022 and 2023, this is a low number. The main reason is due to the characteristics of the construction industry: Until the project is completed, all payment has not been collected, so unfinished projects increase, causing the amount of money receivable from customers to also increase. But when some completed projects are delivered to customers and the customers also refund the remaining

amount of the project, the amount of customer receivables decreases.

Table 2: Receivable turnover indicators and average collection period in the period 2021-2023

| | Đơn vị | 2021 | 2022 | 2023 |
|------------------------------|--------|-------|-------|-------|
| Accounts receivable turnover | Ring | 39,32 | 30,15 | 37,07 |
| Average collection period | Day | 9,16 | 11,94 | 9,71 |

Source: Author's calculations

Inventory management

To ensure that production and business activities take place regularly and continuously, any business must reserve a certain amount of goods and raw materials appropriate to the characteristics and scale of the business. and its capital capabilities, while at the same time using working capital reasonably and economically.

Because business cycles do not proceed independently of each other but sequentially (the previous cycle has not yet ended, the next cycle begins again), so in different stages of the business cycle there is always a backlog of assets. certain short term. This backlog is necessary to ensure continuous and effective production and business activities. Those assets are collectively called inventory.

Specifically, for companies specializing in real estate and construction, inventory includes raw materials stored in warehouses preparing to complete projects and unfinished projects stored in different stages.

Other short-term assets remaining in the Company account for a relatively small proportion ranging from less than 1%, mainly short-term prepaid expenses, taxes and State receivables.

Short-term asset management policy

Sky Real Estate Investment and Services Joint Stock Company is applying a conservative short-term asset management strategy. When managers apply a prudent asset management strategy, it means that the business will always have enough resources in terms of money and goods to exchange with customers to pay off suddenly arising short-term debts. In other words, solvency is always guaranteed. Furthermore, the level of risk the company faces is less than with progressive asset maintenance.

However, some limitations also arise when pursuing this policy. Cash turnover time will increase because customer receivables and inventory increase, so the turnover of these two items increases. A prudent policy will lengthen the business cycle, leading to a longer cash cycle. The company will need to have a short-term asset management strategy that is effective and consistent with the economic development situation.

4. Solutions to improve short-term asset management at Sky Real Estate Investment and Services Joint Stock Company

To improve the efficiency of short-term asset management, businesses need to pay attention to a number of aspects of short-term asset management such as: Increasing the speed of short-term asset turnover, reducing the cash turnover cycle. By doing so, the profitability of the business will improve. However, businesses still need to ensure liquidity and maintain reputation in credit relationships. In addition, businesses need to pay attention to cash flow management because the more a business's net cash flow increases, the

higher its profitability. Indeed, good cash flow management helps businesses always ensure solvency, ensure cash collection, correct and complete collection, and increased net cash flow is also an advantage to help businesses increase sales. Thereby improving profitability. In addition, the riskier the investment and financing policy for short-term assets of a business is, the higher its profitability, but in return the risk that the business must face will be greater. Therefore, businesses need to choose appropriate investment and financing policies for short-term assets to balance two goals: Ensuring both good profitability and risk at the level that businesses can accept it. To accomplish these things, the company needs to have specific solutions associated with the current situation of short-term asset management as follows:

Inventory management solution

Is one of the most important contents in short-term asset management. The more effective inventory management is, the shorter-term asset turnover rate and cash conversion cycle of the business will improve. At the same time, the profitability of the business is also improved. Besides, for a small part of tools and instruments that are available and easy to buy, businesses will use the Just in time method, no need for inventory, orders will be placed when needed. Reality shows that applying experience in calculating and determining the amount of inventory is not optimal and inaccurate, leading to excess, costly storage costs as well as sometimes shortages for production. Based on the reality of inventory management in companies, the author suggests that companies, in addition to traditional inventory calculation methods, should additionally apply the EOQ model in inventory management.

Improve short-term receivables management

Currently, the company only arranges accounting and sales staff to monitor and urge debt collection, but receivable management is not a specialized functional department. Therefore, the work of receivable management is simply to monitor receivables and remind debt collection, the evaluation of the effectiveness of commercial credit activities has not been paid attention, and credit policies have not been defined. Review and adjustment period. Therefore, the company should specialize in this functional department with specific functions and tasks. By doing this, businesses will be able to improve accounts receivable management activities and contribute to improving the company's overall business efficiency.

Choose a trade credit policy

Depending on the administrator's perspective and the business's goals, each business will choose their own trade credit policy. However, when companies currently make commercial credit policies, they often only rely on subjective decisions of administrators associated with sales goals in each period, not on specific calculations of benefits, expense. Therefore, credit granting activities will not be specifically calculated in terms of overall efficiency, so the credit policy that businesses choose is not the optimal policy in terms of overall efficiency. In the author's opinion, companies can improve their trade credit policies by applying cost and benefit theory.

Cash management solution

To be able to manage cash flow effectively, the company needs to accurately determine the optimal amount of cash reserves. Currently, the limitation of businesses is that forecasting and determining cash needs are not really accurate, most of the level of cash reserves depends on the experience and intention of the Board of Directors. For most businesses, current cash size is simply the result of past production and business activities; Therefore, cash management is passive and not highly effective. The author suggests that companies should apply the Miler Orr model in determining the optimal amount of cash reserves.

Use modern management software in short-term asset management

From the management experience of leading manufacturing enterprises, it shows that the application of modern technology brings practical benefits to the short-term asset management of businesses. There are even businesses that, thanks to the application of technology in short-term asset management, can achieve competitive advantage and business success. Therefore, the author suggests that companies should invest in applying modern technology in their short-term asset management.

The author suggests that company administrators should consider applying system management software (ERP) in business management. In fact, the leading businesses in the industry today all use system management software and administrators highly appreciate the usefulness of this software in general business management and financial management. Short-term assets in particular. System management software is highly appreciated because this software has many advantages compared to today's simple accounting software.

Some other solutions

- Training and attracting qualified human resources is essential because they are direct participants in short-term asset management. The company should have appropriate remuneration policies to help them work enthusiastically, promote self-discipline and creativity to serve the company. In addition, the company needs to regularly create conditions for employees to study and improve their qualifications so that they can grasp modern short-term asset management methods and then apply that knowledge. in short-term asset management at the company, contributing to improving the company's business efficiency.
- Closely connect with regional real estate associations and real estate associations in countries around the world through exhibitions, forums, and conferences to cooperate and develop the market to find customers. New products as well as good sourcing at low cost.

5. Conclusion

Short-term asset management is always a complex issue and plays a particularly important role in the financial management of all businesses in general and Sky Real Estate Investment and Services Joint Stock Company in particular. Analysis of the current situation at the company shows that short-term asset management has not received adequate attention from company administrators. In the

context of increasingly fierce competition among real estate businesses, the issue of cost savings and lowering product prices is of particular concern to businesses. Therefore, improving the efficiency of short-term asset management is an indispensable requirement to improve business efficiency for businesses. From the problem raised in the company's short-term asset management, the author has proposed solutions to improve short-term asset management at the company.

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