
BOOK REVIEW

Cases in Financial Management by I. M. Pande and Ramesh Bhat, Tata McGraw-Hill Publishing Company Ltd., New Delhi, 1991 Rs. 99.00

Without entering into the controversy on the excellence of 'Cases' as a teaching methodology, one would undoubtedly hold the present book as a valued addition to the existing small list of publications dealing with Case Studies in Financial Management, in the Indian context. The authors should be congratulated on the serious thinking and meticulous planning that they have undergone in the selection of cases. Each case has an ingredient to trigger off the thought process of the reader.

Even a case as simple and rudimentary as 'Star Engineering Company' is a true reflection of what is happening in reality. The reviewer cannot but help expressing her recent experiences while associating herself with the costing system of a growing company with foreign technical collaboration, where pricing is on the basis of ability to pay and the overheads were allocated in a fashion which looked more or less rational. No wonder, SEC's accountants' basic thrust would be that the Cost Sheet, while forced to draw it up for the first time, should look like one.

'Multipurpose Tools Ltd' is one of the most interesting cases on Cash Management. Even while training Finance Managers, considerable time is spent before the concept of Cash being the most illequid amongst current assets, gets through. Obviously, what is bothering in the Case is that "Cash Management is a device to increase liquidity . . . In order words . . . the liquidity ratio will drop due to all our Cash Management efforts". To extend the Concept, Effective Cash Management or rather current assets management or Working Capital Manage-

ment, would in effect reduce the drawing limit of an organisation by reducing the permissible bank finance, as per statutory recommendations. This is the real conflict between the goals perceived by the economy as a whole and the organization per se. We are unable to move towards unity by resolution of contradictions or blending of differences into the coherent whole.

This is precisely the reason why conflicts exist not only between individual and groups within the organisation but also between the organisation and the other dominant parties of the societal system, in this case, its bankers.

There are several cases on liquidity crunch including the one on modern financing techniques like Factoring - 'Swan Textiles and Silk Mills Ltd'. It is interesting to note that the writer has put in the required academic inputs like, the associated costs/risks of factoring services being the question of clear title or the liability of stamp duty. Providing such inputs is necessary when a contemporary topic such as Factoring is touched upon.

Unfortunately, the book has not ventured into too many contemporary areas. One would expect the inclusion of the concept of Activity Costing in the area of overhead allocations or 'Just in Time' concept of inventory management while on current assets management.

The book is accompanied by an Instructor's Manual providing a list of questions for discussion and suggesting an approach to handle the cases. Unfortunately, the manual did not accompany the book sent for review and as such, no opinion is given as to how the Cases have been handled.

On the question of handling Case studies, one is reminded of the principal contradiction

playing the lead role at every stage of the process of development. The other contradictions are secondary in character. (Tsetung, Mao:1977). It is essential to grasp the principal contradiction in order to work towards resolution of problems. Managing of problems in any other way is superficial and is bound to be short run in nature. Similarly, the crux of case study is to locate the key problem. Once the key or the principal problem is located half the work is done and the floor is ready for working towards resolution. The secondary contradictions or in other words, the other problems related to the situation or may be arising out of the process of resolution can be handled with much lesser difficulty.

Moreover, resolution of the principal problem takes care of quite a few of the other problems as well, as the organisation moves towards total synchronisation.

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References

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