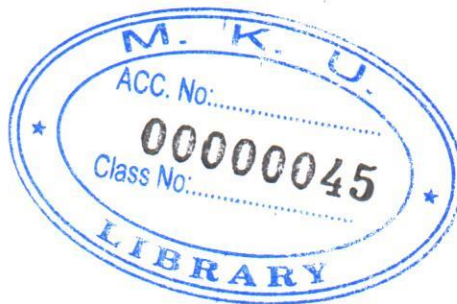


**WORKING CAPITAL MANAGEMENT AND ITS EFFECT ON
PROFITABILITY IN THE HOTEL INDUSTRY: A CASE STUDY OF SAROVA
HOTELS**



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ABSTRACT

Working capital management is important part in firm financial management decision. An optimal working capital management is expected to contribute positively to the creation of firm value. To reach optimal working capital management firm manager should control the tradeoff between profitability and liquidity accurately. The purpose of this study was to investigate the relationship between working capital management and firm profitability in the hotel industry with specific reference to the Sarova hotels. The study objective was to establish the relationship between working capital management and profitability in the hotel industry, the effects of Accounts receivables on company profitability, to determine the effects of Days inventories on profitability and the relationship between accounts payables and profitability of the firms in the hotel and hospitality industry. The research employed an Ex Post Facto Survey research design, which is deemed appropriate because it handles situations or events that have already occurred, investigates variables with the same characteristics and does not manipulate the variables. A questionnaire was used in data collection while purposive sampling and simple random sampling techniques were used. Data was analyzed qualitatively and quantitatively facilitated by SPSS (Statistic Package for Social Science) Computer package. The analyzed data was presented in frequency tables. As per the study findings of both the correlation and regression analysis indicates that the working capital management of the Sarova Hotels very significantly and strongly affects its profitability. It emerged that there was a negative relation between variables of working capital management including the average collection period, inventory turnover in days, average collection period, cash conversion cycle and company profitability