

**A STUDY ON THE IMPACT OF FIRM'S  
LIQUIDITY ON THE PROFITABILITY OF  
LISTED MANUFACTURING COMPANIES  
IN SRI LANKA**

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**(INDEX NO: MG 0580)**

This dissertation submitted to the Department of Accountancy and Finance. Faculty of Management and Commerce of the South Eastern University of Sri Lanka in partial fulfillment of the requirement for the awards of the Degree of Bachelor of Business Administration (Special in Accounting)

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**OLUVIL**

**2013**

## **ABSTRACT**

The purpose of this study is to investigate the impact of liquidity on profitability. Efficiency of working capital management can be measured with cash conversion cycle. Panel data analysis has been used for 10 manufacturing firms listed on respective Colombo stock market in Sri Lanka. Data has been taken from financial statements of respective companies' websites from 2008-2011. Hypotheses were tested using multiple regression analysis and Pearson's correlation. It was found that there is a negative significant relationship between receivable period and firm's profitability. On the basis of overall analysis, it is the effort important to state that the selected company always tries to maintain adequate amount of net working capital in relation to current liabilities so as to keep a good amount of liquidity the outhouse the study period.