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Abstract

Construction firms that work on a contractual basis are generally more concerned with short-term rather than long-term financial strategies. The main focus in short-term financial strategies is on working capital management (WCM). Cash management is a major factor for achieving good liquidity and profitability. In this study we take into consideration the cash component of working capital management based on the target cash balance. We develop a practical model that should allow Taiwan construction firms to utilize the currently available cash and assets at any point in time in the most rational way. To help understand the issues involved, we first introduce a model developed by Miller and Orr. The relationship between project duration and progress towards completion is most effectively represented in practical construction management by the S-curve. Thus, in this study we plot the fuzzy S-curve regression based on the Takagi-Sugeno (T-S) fuzzy model. The practicality of the model is demonstrated using project cash flow and progress payment records from a sample project. The data are obtained from the Taipei City Government's Department of Rapid Transit Systems. Some tentative conclusions concerning the model are also given.

Keywords: Target cash balance • T-S fuzzy model • working capital management

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