COVER PAGE AND DECLARATION

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Table of Contents

Introduction

Organizations are expected to share their budgetary information with associates, particularly speculators. To this aim, businesses provide one-year expenditure plans that include all of the company's financial details. With these financial plans, theorists predict an organization's future profitability and rationality, but the board of directors refines a strategy. This article aims to identify an organization's financial end outcomes by a thorough examination of its represented reports. General Motors, a company situated in the United States, has been chosen for evaluation.

In this research, a comprehensive overview of General Motors will be provided, covering profitability, adequacy, transitory dissolvability, long-term dissolvability, and market-based indicators. The monetary rundowns of General Motors over the last four years have been studied for this explanation. Similarly, suggestions will be made to enhance the organization's business while taking into account the assessment. Furthermore, another hypothesis assignment will be supported in order to increase the firm by advancing 40% of its capital (Arvey & Murphy, 1998). The experience will be examined using unmistakable hypothesis evaluation tools such as Net Present Value and Weighted Average Cost of Capital.

Q1

About General Motors

General Motors is an American multinational corporation that provides workspaces for automobile parts setup, planning, development, transportation, and selling. The organization's management headquarters are in Detroit, Michigan, United States. By and large, its plants may be found in more than 15 nations under the Cadillac, GMC, Buick, and Chevrolet brands. General Motors, which has been around for over a century, aspires to make the environment cleaner, more beneficial, and wealthy. Around 180,000 people work for the company. Similarly, General Motors makes the most unusual impression and plans to reduce the intensity of energy, carbon, water, and waste. For 77 years, General Motors has outperformed the competition in terms of total average car pay, and it is today one of the top vehicle manufacturers in terms of unit revenue. General Motors operates in a wide range of nations with the assistance of absolutely dependable partners. The OnStar assistant GM provides car security and information organizations. General Motors changed things up in 2009, shutting down Saturn, Hummer, and Pontiac.

Since 2010, the company has paid its employees on an annual basis. The obligation commitment for future payments will be the same as it was in the past. According to the Wall Street Journal, clinical care prices and other spending drives will decrease by up to USD 45 billion over the next 20 years. In 2010, General Motors came in second with 8.5 million vehicles distributed worldwide. In 2011, GM expanded their market share to 11.9 percent of the overall car segment, with a total pay of 9.025 million units. GM President Dan Akerson stated at a fundamental discussion in May 2013 that the company is on track to reclaim the S&P 500 record. As the recession deepened in 2009, GM was removed from the equation. According to CNN Money, General Motors' profit for the first three months of 2014 fell to 108 million dollars. GM has estimated the cost of its 2014 upgrade to be $1.5 billion, owing to a shortage of starting drives that has resulted in 124 deaths. This was GM's first foray into ride-sharing, and the round's listed promise plainly indicates that it is attempting a "related, dependable, and autonomous" transportation future.

Performance Evaluation

This section consolidates General Motors' show review by dissecting the various introduction measures in depth.

Profitability

In the last four years, GM's margin of safety has shrunk by 8%. For a few reasons, its degree should have been examined.

Gross Margin

$$\text{Gross Margin} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

General Motors' Gross Margin was 12.75 percent in 2016 and 10.18 percent in 2019, indicating a 20.15 percent reduction in Gross Margin. A negative margin indicates a company's failure to control expenses. 4

Operating Margin

$$\text{Operating Margin} = \frac{\text{Operating Profit}}{\text{Net Sales}}$$

The Operating Margin for General Motors was 5.8 in 2016 and 3.99 in 2019, indicating a decrease of 31.2 percent, implying that the arrangements are less than the cost of products sold and working expenditures.

EBITDA Margin

$$\text{EBITDA Margin} = \frac{\text{EBITDA}}{\text{Total Sales}}$$

General Motors' EBITDA Margin was 12.4042 in 2016 and 14.2811 in 2019, implying a 15% increase in EBITDA Margin, implying that the organization has less working usage and more substantial compensations, indicating that General Motors has a fair level of pay over which to pay its working costs.

Net Profit Margin

Net Profit Margin = $\frac{\text{Net Profit}}{\text{Revenue}}$

The Net Profit Margin for General Motors was 6.319 in 2016 and 4.7954 in 2019, indicating a reduction of 24.11 percent, indicating that the firm is generating less money than it is spending.

Return on Equity

ROE = $\frac{\text{Net Income}}{\text{Shareholder's Equity}}$

The Return on Equity of General Motors was 21.0301 in 2016 and 14.507 in 2019, implying that the Return on Equity has decreased by 31%, indicating that there is a hardship rather than the expansion of big value to its speculators (Star, 2020). This is an essay that emphasizes the need of theorists and managers working as hard as they can to maintain a crucial positive path away from a negative return.

Return on Assets

Return on Assets = $\frac{\text{Operating Income}}{\text{Total Assets}}$

The Return on Assets for General Motors was 4.1811 in 2016 and 2.9236 in 2019, indicating a fall of 30.07 percent, implying that the company has tended to invest more money or generate a lesser profit.

Return on Investment

Return on Investment = $\frac{\text{Profit}}{\text{Initial Cost}}$

In 2016, General Motors' Return on Investment was 9.7158, and in 2019, it was 5.959. This implies that the Return on Investment fell by 38.6%, indicating that the investment lost money, leaving General Motors with less than they would have had they done nothing with their assets. The numbers reveal that General Motors' profitability has declined and would continue to decline if no action is taken.

Efficiency

To calculate the capability of a company following plans are used:

Asset Turnover Ratio

$$\text{Asset Turnover Ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

In 2016, General Motors' Asset Turnover Ratio was 0.6729, and in 2019, it was 0.6018, indicating that its Asset Turnover Ratio has increased by 4.3 percent in the last four years, indicating that the company is turning over 4.3 percent of its assets into bargains.

Inventory Turnover Ratio

$$\text{Inventory Turn Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

General Motors' Inventory Turnover Ratio was 11.79 in 2016 and 11.85 in 2019, implying that the company's stock turnover has increased by 0.5 percent over the past four years (Anahim, 2020). They are, on the whole, more suited to selling their stock during the year than they were in 2016. Despite the fact that it is far from competent, it is developing with time and will continue to improve in the foreseeable future.

Account Receivable Turnover Ratio

$$\text{Account Receivable Turnover Ratio} = \frac{\text{Sales.}}{\text{Average Account Receivable}}$$

The Receivable Turnover Ratio was 6.0089 days in 2016 and 4.1091 days in 2019, implying a 31.6 percent decline in the Receivable Turnover Ratio. The company is steadily increasing its receivable period as it decreases, which is beneficial to the company.

Account Payable Turnover Ratio

$$\text{Account Payable Turnover Ratio} = \frac{\text{Purchase.}}{\text{Average Account Payable}}$$

In 2016, the Payment Period was 60.74 days, and in 2019, it was 88.82 days, indicating a 46.22 percent increase in the average Payable Turnover, indicating that the affiliation is developing a payable period for commitment, and that this number will continue to improve. These data suggest that the firm is doing well, which is beneficial to the corporation.

Short-term Solvency

To find the short-term solvency, the following with some condition is used:

Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets.}}{\text{Current Liabilities}}$$

In 2016, General Motors' present extent was 0.8946, and in 2019, it was 0.8832, implying that its current extend has declined by 1.27 percent in the last four years, implying a higher level of despair or default by General Motors. General Motors' temporary solvency is horrible at any stage when viewed through the eyes of examiners.

Long-term Solvency

Following plans will be used to find the long-term solvency of General Motors:

Debt to Capital Ratio

$$\text{Debt. Capital Ratio} = \frac{\text{Long term De bt}}{\text{Capital}}$$

The Debt to Capital Ratio for General Motors was 0.538 in 2016 and 0.5892 in 2019, a growth of 9.55 percent, suggesting that the company's financial fragility and its impact are expected to quickly raise the organization's risk.

Debt to Equity Ratio

$$\text{Debt. Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder s' Equity}}$$

The D/E Ratio was 2.25 in 2019 compared to 1.74 in 2016, suggesting that the D/E ratio climbed by 29.3 percent, indicating that the corporation is boosting its financing by receiving money, which puts the relationship at significant risk if the cost of procuring ends up being excessively low. The company's long-term solvency indicates that it is in danger of defaulting.

Market-based Ratios

The below ratios are used to analyze the market value of General Motors:

Book Value per Share

$$\text{Book Value per Share} = \frac{\text{Book Value}}{\text{No. of Outstanding Shares}}$$

The Book Value per Share for General Motors was 29.38 in 2016 and 32.8264 in 2019, implying that the Book Value per Share increased by 11.7 percent, indicating that the pieces of General Motors had more liquidation respect than in the previous four years.

Operating Cash Flow per Share

$$\text{Operating Cash Flow per Share} = \frac{\text{Operating Cash Flow}}{\text{No. of Shares Outstanding}}$$

The Operating Cash Flow per Share for General Motors was 10.57 in 2016 and 10.43 in 2019, indicating a decrease of 1.32 percent, indicating that the company could not continue to fund the costs without contributing or utilizing resources.

Free Cash Flow per Share

$$\text{Free Cash Flow per Share} = \frac{\text{Free Cash Flow}}{\text{No. of Outstanding Shares}}$$

In 2018, General Motors' Free Cash Flow per Share was -5.55, however in 2019, it was 3.00, representing a 45.95 percent increase, demonstrating that the company is looking to expand its opportunities and enhance both financial and non-financial influence.

Q2

Recommendations for Improvements

Gross Margin

Following are the recommendations to improve the gross profit margin:

- Profit Margins Should Be Analyzed.
- Prices Should Be Increased.
- Discounts Should Be Given.
- Price Should Not Be a Competitive Issue.
- Try to Get as Much Discount from Vendors as Possible.
- Inventory Systems Should Be Used.

Operating Margin

Following are some recommendations to improve the operating margin:

- Improve Inventory Transparency to Prevent Discounting.
- Elevate the Brand and the Perceived Value.
- Consistent Operations and Lowering Production Costs.
- Average Order Value should also Increase.
- Prices should also be Increased.
- Improve the Relationship with Suppliers.
- Inspire the Staff to Do More.
- Identify and Eliminate Waste.

Net Profit Margin

Every business strives to increase its net margin. If a company's net margin is higher than the industry average, it has a strategic advantage over other companies engaged in similar operations (Chakravarty, 1999). While typical net margins vary greatly among industries, the question of how organizations might obtain a competitive edge remains the same, regardless of whether sales are boosted or expenditures are cut.

1- Boosting Revenues
2- Reducing Costs

Return on Equity

A company's return on investment (ROI) may be increased in a variety of ways. The following are some suggestions:

- More financial leverage should be contracted.
- profit margins should be enhanced.
- asset sales should be improved.
- idle cash should be distributed.
- and taxability should be low.

Return on Assets

One of the most important duties for controlling the majority of the huge firm is to increase or maintain asset appreciation. This is due to the fact that the majority of owners, potential investors, boards of directors, management teams, and employees are all interested in this percentage. Shareholders, on the other hand, are the key players who are concerned with the return on assets (Alsyouf, 2007). These people want to know how well corporate top management handles the company's assets. In comparison to company and competitors, a greater ratio indicates that finances are properly managed and expenses are low in terms of productivity. The following are the major factors that management should address in order to achieve high returns or expand assets to goal levels:

- Lower total assets to increase return on assets.
- Increase current assets.
- Increase fixed assets.

Return on Investment

It is critical for a business owner to be able to manage funds and assets in order to maximize return on investment. The following suggestions are made to increase the return on investment:

- Investigating Business Expenses.
- Cleaning Departments.
- Compound Interest Investment.
- The focus should be on Innovation.
- Business Proposal Terms and Requirements should be planned.

Inventory Turnover Ratio

When the inventory is efficiently managed, it leads to better cash flow, as it meets its customers ' needs and simplifies the sales process. The sales process is more resourceful and more flexible when profits are maximized (Lee et al., 2015). Below are several ways of changing the inventory sales ratio to improve the sales strategy:

- Building Material Market.
- Business Pricing Strategy Revisions.
- Towards Adequate Service Product Disposal.
- Supply Chain Optimization.
- Save Energy Manage Time.
- Automate - Cut Expenditure.

Short-term Solvency

Management must concentrate on a variety of ways to improve the current ratio, including current commitments and assets that are not one-time events. It must be checked at all times of the year. The following are some strategies for boosting short-term solvency:

- Faster Lenders or Receivables Conversion
- Current Liabilities for Pay-Off
- Sell Non-Productive Assets
- Currently Improved Assets through the Rise of Shareholder Funds

- Continuing to Clean Bank Accounts.

Long-term Solvency

Businesses can take initiatives to improve and lower their debt-to-capital ratios. Improved competitiveness, asset management, and debt reduction are examples of strategies that may be adopted (Doff, 2008). If the pricing strategy is sound, they are accompanied with a price rise for their products or services. The method for minimizing this combo will be better for each other.

- Revenue Growth.
- Inventory Control.
- Debt Restructuring.

Operating Cash Flow per Share

Many variables contribute to the negative cash flow. Customers may fail to pay or budget appropriately for their purchases (Farshadfar & Monem, 2012). Negative operational cash flow per share should be recovered from the following sources:

- Examine financial statements.
- Change payment terms and conditions.
- Lower your costs - Increase your sales.
- Collaborate with producers, lenders, and creditors.

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New Project Investment Analysis

A new project investment study is provided for the organization, with an initial investment of $500,000 and a WACC of 10%, resulting in the computation of net present value (Marshall, 2020).

Initial Investment= $500,000

Year	CF	PVIF (10%)	PV of CF
1	$50,000	0.909090909	45454.5
2	$50,000	0.826446281	41322.3
3	$400,000	0.751314801	300526
4	$100,000	0.683013455	68301.3
5	$100,000	0.620921323	62092.1
			517696

NPV = $17,696

As the NPV is positive $17,696 with a WACC of 10% so the company should invest in the project.

Advantages of the Net Present Value Method

The calculation of net present value (NPV) is a typical method used by corporate executives to assess the profitability of various businesses. It is based on the idea that money generated in the future is presently worth less than money in the bank. The NPV's fundamental feature is that future cash flows are restricted to present values. The net present value (NPV) method generates a monetary figure that reflects the value of the company's endeavor. Stockholders can observe how a project contributes to the company's worth (Schwab & Lusztig, 1969). The discount rate of a company's capital expenditure is used into the NPV calculation. This is the normal return rate for shareholder contributions to the firm. 14

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When analyzing the financial status of a project or a new venture, Net Present Value offers various advantages that are worth considering.

- It accounts for the fact that a dollar today is worth more than a dollar tomorrow.

-The net present value will be considered in the risk factor analysis.

- The capital expenses and risk concerns are considered.

- The outcomes of value can be determined via net present value.

- It accounts for all cash flows generated by a project.

- It identifies programs and pools funds.

- The net present value reveals whether or not an expenditure will generate interest.

-The net present value ratio is straightforward for the ordinary investor.

- It isn't the premise of reinvestment.

Capital of Company = 137,237

40% of Capital = 54894.8

Retained Earnings = 26,860

Because the firm's capital is more than its retained profits, $137,237, and its 40 percent, $54,895, is still greater than the retained earnings, $26,860, the company should utilize its capital instead of retained earnings.

Decision on Return Earnings

Dividends are the profits that a company distributes to its shareholders. They might be in the form of cash, stock, or other property. Dividends can be paid on a variety of schedules and at varying levels. Traditionally, corporations do not pay dividends since it is more economically prudent to reinvest funds in assets during important development times. Even well-established businesses frequently reinvest their profits to fund new ventures, buy other businesses, or pay off debts. All of this activity serves to raise the price of the stock.

General Motors Statistics

According to the data, the firm's dividends paid in 2019 are $2,350, therefore instead of returning the dividends to shareholders, the company should invest in initiatives that will strengthen its ability to function effectively (Helper & Henderson, 2014). As can be seen from the ratios, there is a lot of room for improvement, so the company should invest in those activities so that they can deal with the problems and improve their performance, which will increase the company's share value, attracting both old and new investors, and the firm will generate more profits, resulting in an increase in the shareholders' dividend.

Conclusion

General Motors' financial ratios research reveals that the corporation has a lot of space for development. The study is unfavorable since the company's revenue is dwindling and its capacity to repay its debt is likewise dwindling. Furthermore, the business faces a significant danger of default. These problems should be examined by the organization since they are alarming to investors, and the firm will suffer liquidity issues if little or no investment is made. General Motors should also consider investing its dividends in order to keep the firm in good form, since it will soon face a disaster if it does not.

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