COVER PAGE AND DECLARATION

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Introduction:

Companies submit their plans related to spending operations for a full year, and we find within them all the cash-related complexities within the organization. This is done with the aim of sharing the knowledge of the budget with the accomplices, especially the speculators, which is a duty of the institutions. Analysts, in turn, use these financial plans in predicting the future profitability of the enterprise and its future rationality. The Board of Directors plays its role in refining the strategy. During the working paper, the financial results of the institution will be determined through careful examination of the reports representing it. To implement this, General Motors was chosen, which is one of the companies located in the United States of America.

Detailed information about General Motors, including its revenue, adequacy, transitory dissolvability, large stretch dissolvability, and market-based indicators, will be included in this research. For this investigation, the financial declines of General Motors over the last four years have been examined. Similar recommendations for improving the organization's operations will be made while taking assessment into account. The provision of a second hypothesis part will allow the firm to grow by raising 40% more money. Adventure testing will be done using clear hypothesis evaluation methods like Net Present Value and Weighted Average Cost of Capital.

About General Motors:

The setup, planning, delivery, and sale of automobile parts are all done in workspaces provided by General Motors, a multinational American firm. The managerial headquarters of the company are in Detroit, Michigan, in the United States. Generally speaking, it has facilities under the Cadillac, GMC, Buick, and Chevrolet brands in more than 15 countries (GM.com, 2021). With almost a century of experience, General Motors wants to contribute to a better, wealthier, and cleaner world. The company has more than 180,000 employees. Also, General Motors strives to lower the intensity of energy, pollutants, freshwater use, and waste due to its peculiar vision of the world.

General Motors handled total average automobile sales more than any other company for 77 years in a row, and it is still among the top vehicle manufacturers globally in terms of unit sales (GM.com, 2021). Via completely reputable partners, General Motors conducts business in the vast majority of countries. The On Star helper from GM offers groups for information, prosperity, and car protection. A number of

changes were undertaken by General Motors in 2009, including the closure of the Saturn, Hummer, and Pontiac brands.

The business has been paying its employees annually since 2010. Based on previous occurrences, a contractual commitment for future payments will be made. The Wall Street Journal reports that over the next 20 years, energy reductions of up to USD 45 billion are anticipated for clinical consideration costs and other expenditure cuts. (GM.com, 2021). 8.5 million motors distributed globally in 2010 put General Motors in second place. With a total production of 9.025 million vehicles, GM initially broadened in 2011 and captured 11.9 percent of the overall vehicle market share.

President Dan Akerson said in May 2013 that GM is on track to break the S&P 500 record once again during the basic conversation. CNN Money reports that as of April 24, 2014, General Motors' lead for the year's first three months has decreased to 108 million dollars. Due to a lack of starting drives linked to 124 fatalities, GM has projected the cost of their 2014 upgrade to be $1.5 billion (GM.com, 2021). The round's advertised promise makes it clear that GM is attempting a "connected, reliable, and autonomous" transportation future. This was the company's first foray into the ride-sharing market.

Performance Evaluation:

By thoroughly describing the many introduction measures, this section consolidates the General Motors evaluation.

Profitability:

Margin of profit

Gross Margin	2016	2017	2018	2019
	12.75	13.5	9.6	10.18

The Gross Margin for General Motors fell from 12.75 in 2016 to 10.18 in 2019, or by 20.15 percent (Financial morning star.com, 2020). A negative margin reveals a company's inability to keep costs under control.

Operating margin

Operating margin	2016	2017	2018	2019
	5.7	6.9	3	4

The operating margin for General Motors decreased from 5.8 in 2016 to 3.99 in 2019, a fall of 31.2 percent, meaning that sales are now below the company's cost of goods sold and operating expenses.

EBITDA margin

EBITDA margin	2016	2017	2018	2019
	12.4	11.5	15.2	14.28

EBITDA Margin for General Motors was 12.4042 in 2016 and 14.2811 in 2019, a 15% rise. This suggests that the organization has less working use and more meaningful compensation, showing that General Motors has a reasonable level of pay over which to pay its operating costs.

Net profit margin

Net profit margin	2016	2017	2018	2019
	5.67	-2.67	5.38	4.8

The difference between General Motors' net profit margin in 2016 and 2019—6.319 versus 4.7954—shows a decline of 24.11 percent, suggesting that the company is making less money than it is spending (Financial morning star.com, 2020).

Return on equity

Return on equity	2016	2017	2018	2019
	22.52	-9.84	21.43	16.32

Return on equity for General Motors decreased by 31% between 2016 and 2019, from 22.52 to 16.32, showing that the company is having problems growing its enormous value to investors rather than

expanding. This section has been highlighted so that theorists and administrators can make every effort to protect important beneficial techniques from a reduced return.

Return on assets

Return on assets	2016	2017	2018	2019
	4.53	-1.79	3.6	2.89

The return on assets for General Motors fell from 4.53 in 2016 to 2.89 in 2019, a decline of 30.07 percent, suggesting that the company is likely to have invested more money or made less money (Financial morning star.com, 2020).

Return on investment

Return on investment	2016	2017	2018	2019
	8.41	-2.88	6.02	4.76

Return on Investment for General Motors was 8.41 in 2016 and 4.76 in 2019. As a result, it is implied that the return on investment decreased by 38.6%, showing that the expenditure reduced returns and that General Motors is now in a worse financial situation than they would have been had they managed investment expenses better (Financial morning star.com, 2020).

Efficiency:

Asset Turnover Ratio

Asset Turnover Ratio	2016	2017	2018	2019
	0.8	0.67	0.67	0.06

Asset Turnover Ratio for General Motors dropped from 0.80 in 2016 to 0.60 in 2019, representing a fall of 4.3 percent over the preceding four years. This shows that General Motors is converting 4.3 percent of a more visible measurement of its assets into values.

Inventory turnover ratio

Inventory turnover ratio	2016	2017	2018	2019
	10.53	10.31	12.98	12.19

Indicating a 0.5 percent increase in stock turnover over the previous four years, General Motors' inventory turnover ratio increased from 10.53 in 2016 to 12.19 in 2019. Compared to 2016, they are better equipped to sell their equities at various points over the year. Despite the fact that it is not very efficient, the process of turning stock into finished goods is taking longer.

Account Receivable Turnover Ratio

Account Receivable Turnover Ratio	2016	2017	2018	2019
	5.73	4.82	4.74	4.11

The Receivable Turnover Ratio was 5.73 times in 2016 and 4.11 times in 2019, indicating a reduction of 31.6 percent in the Receivable Turnover Ratio. The company is continually reducing the amount of time it takes for payments to be received, which is advantageous to the firm. They are paying off its obligations faster now.

Account Payable Turnover Ratio

Account Payable Turnover Ratio	2016	2017	2018	2019
	64.16	73.71	63.45	64.13

The difference between the Payment Period in 2016 and 2019—64.13 days—shows that the average Payable Turnover has improved. It demonstrates how the relationship between the company and its debtors or suppliers is growing. The number of days is identical in 2016 and 2019. (Financial morning star.com, 2020).

These numbers show that the business is performing well, which is good for the whole company.

Short-term Solvency:

Current Ratio

Current Ratio	2016	2017	2018	2019
	0.89	0.89	0.92	0.88

With a current ratio of 0.8946 in 2016 and 0.8832 in 2019, General Motors has experienced a 1.27 percent fall in its current ratio over the last four years, indicating a greater level of failure to manage its current assets.

Long-term Solvency:

Debt to Capital Ratio

Debt to Capital Ratio	2016	2017	2018	2019
	0.538	0.487	0.517	0.589

The debt-to-capital ratio for General Motors was 0.538 in 2016 and 0.5892 in 2019, indicating an increase of 9.55 percent. This shows the company's financial susceptibility and indicates that its effects are likely to quickly increase the risk for the company (Financial morning star.com, 2020).

Debt to Equity Ratio

Debt to Equity Ratio	2016	2017	2018	2019
	1.27	1.92	1.88	1.6

The business is increasing its financing by receiving money, which puts the connection at major risk if its cost of acquiring turns out to be extremely low. The D/E Ratio in 2019 was 1.27 and in 2016 it was 1.60, implying that the D/E ratio grew by 29.3%. "2020 Financial Morning Star, Inc".

<u>Market-based Ratios:</u>

Operating Cash Flow per Share

Operating Cash Flow per Share	2016	2017	2018	2019
	10.57	9.56	9.72	10.43

Operational Cash Flow per Share for General Motors fell from 10.57 in 2016 to 10.43 in 2019, a 1.32 percent decline. This shows that without making investments or using resources, the company would not be able to continue covering the costs.

Book Value per Share

Book Value per Share	2016	2017	2018	2019
	29.81	30.17	27.19	31.82

In between 2016 and 2019, General Motors' Book Value per Share climbed by 11.7 percent, going from 29.81 to 31.82. This shows that investors now regard the liquidation of General Motors' shares with more respect than they did four years ago.

Free Cash Flow per Share

Free Cash Flow per Share	2016	2017	2018	2019
	-8.59	-9.8	-6.95	-3.92

Free Cash Flow per Share for General Motors decreased by 54.36 percent from -8.59 in 2016 to -3.92 in 2019, showing a decline of the company's free cash flow per share (Financial morning star.com, 2020). This implies that the company needs to concentrate on cutting their cash outlays while attempting to increase their cash inflows.

Recommendations for Improvements:

The following ideas can help to raise the gross profit margin:

- Profit margins need to be assessed frequently.
- Product prices must be increased to increase sales.
- Customers must receive discounts in order to draw in more business.
- Pricing shouldn't ever be a point of contention (Alexopoulos, Kounetas & Tzelepis, 2018).
- In order to reduce costs, they should work to get as many concessions from suppliers as they can.
- They ought to employ an inventory management system to control their entire stock better and cut the price of their goods.

The following ideas will help you raise operating margin:

- The company should put its efforts towards stopping client discounts.
- They must prioritise dependable operations and lower production costs.
- Throughout a specific time period, the average order value must likewise increase.
- In order to receive discounts on material purchases, they should work to strengthen their ties with suppliers (Yuniningsih, Pertiwi & Purwanto, 2019).
- The company ought to make an attempt to inspire staff to exert more effort.
- They ought to be aware of and try to minimise resource waste.

Net Profit Margin:

Every company strives to increase net margin. A corporation has a greater strategic advantage over rival firms conducting similar business if its net margin exceeds the industry average (Parsekian, 2018) Despite the fact that typical net margins vary widely among industries, strategies for how businesses might gain a competitive edge continue to advance regardless of whether revenues rise or costs fall. They must adhere to the following advice:

- The hiring of more talented and skilled managers and staff managers should be a priority so that they can develop more potent tactics to increase sales.
- In order to improve their income, they must also concentrate on efficiently reducing their overall costs.

Return on Equity:

There are many strategies to raise a company's ROE. The following techniques are suggested:

- They ought to make an effort to boost their financial leverage.
- The company should concentrate on boosting its profit margins.
- They should also improve their asset sales.
- Wasted money must be used to increase asset sales.
- As little as feasible should be able to pay taxes.

Return on Assets:

One of the most crucial things that needs to be done to manage the majority of huge corporations is to increase or sustain asset development (Krylov, 2018). This is as a result of this percentage comprising the bulk of owners, potential investors, boards of directors, management teams, and employees. Nonetheless, the main players who are worried about the return on assets are investors. The people are interested in learning how effectively corporate top management manages the assets of the organisation. Fundamentally, the higher ratio implies that the funds are managed properly and that the costs are minimal in terms of efficiency as compared to the company and its competitors.

The key elements that management should focus on in order to generate high returns or increase assets to target levels are as follows:

- To increase return on assets, they must minimise total assets.
- They ought to prioritise boosting their existing assets so they can control their short-term expenditures.
- They must also make an effort to cut costs across all assets in order to boost return.

Return on Investment:

Increasing return on investment requires a business owner's ability to manage finances and assets (Woo & Kim, 2019). The following ideas are suggested to improve return on investment:

- They must to make an effort to look at those cost components that are more expensive than predicted or calculated costs.
- The corporation should prioritise setting up its sections for better administration of its finances.
- They ought to invest in opportunities for compound interest so that the return value can rise.
- To draw in additional investors, the emphasis should be on the development of fresh concepts and ideas.

Inventory Turnover Ratio:

When inventory is kept in good condition, it facilitates sales and satisfies client requests, which increases cash flow (Arulmurugan & Anandakumar, 2018). The sales process becomes more inventive and adaptable when earnings are optimised. The following list includes a number of ways to modify the stock sales ratio to improve the sales strategy:

- To reduce stock costs, the company should concentrate on creating an efficient stock management system.
- Companies ought to employ more knowledgeable workers who can turn raw materials into completed goods faster.

- They must manage their entire resource allocation and should use the JIT methodology for more efficient resource use. A key metric of a company's performance is the speed at which it can resale its stock. Businesses that move product out more swiftly consistently fare better. The longer a product is kept in stock, the more expensive it is to keep, and the less likely customers are to visit the store in search of new items.
- Smaller businesses may be able to make better decisions about how frequently to purchase goods, how to evaluate the performance of their stock, and how to budget for future product expenses as a result. The technology might be modified to some amount, but it might never be appropriate for all kinds of products.

Short-term Solvency:

According to Hannachi, Cressault, Teulet, and Béji (2018), management must focus on a number of strategies to raise the current ratio, including current liabilities and assets that are not one-time events. Businesses are frequently required to maintain a baseline liquidity asset ratio of 2:1, which means that their current assets must be two times larger than their current liabilities. In actuality, a business may be required by law to maintain a combined worth greater than the minimum amount outlined in its credit agreements. The percentage appears to be a good estimate of whether the cash balance, money recovered from accounts receivable, and proceeds from inventory sales will only be sufficient to satisfy the commitments due the following month. . It needs to be examined every day of the year. These are some methods for increasing short-term solvency:

- They should put their efforts towards lowering short-term costs so that present assets can cover them.
- Quick conversion of accounts receivable into cash is required by the company.
- They ought to sell any ineffective assets, which will boost their current assets.

Long-term Solvency:

There are steps businesses may take to improve and minimize their debt-to-capital ratios. Increased competitiveness, improved asset management, and debt consolidation are some tactics that can be used (Prudius, Karpunin & Vlasov, 2019). Nonetheless, several events, especially in mature organizations, may increase the risk of insolvency. In the context of banking, the impending expiration of a patent could endanger solvency by enabling competitors to produce the in question property and leading to a decrease in associated royalty income. Rules that are changed in a way that directly affects a consumer's intention to pay their debts could potentially be a concern. If either party wins a significant judgment as a result of a litigation, both market players can experience solvency issues. These are combined with a price increase for their goods or services if the pricing approach is appropriate. The method used to reduce this mixture will be more advantageous to each party.

- They ought to make every effort to boost their revenue.
- By adding debt and equity in an efficient proportion, they should rearrange their capital structure.
- A company should effectively manage its stock and revenues to minimize the need for debt.

Operating Cash Flow per Share:

The negative cash flow was caused by numerous variables. Consumers might underpay or fail to plan their purchases effectively (Zolfani, Yazdani & Zavadskas, 2018). The analysis of the financial position and competency benefits from the use of operating cash flow, among other accounting statements. By analysing the same, shareholders, customers, and large enterprises may make informed decisions that have an impact on the company and its prospects. Unfortunately, this operating cash estimate does not provide new investors with a lot of information. As a result, firms frequently use this to assess their overall maximum productivity. It is suggested that the following steps be taken to turn around negative operating cash flow per share:

- The business should try to change the terms and conditions in order to give clients credit and collect debts from them.
- They must reduce their out-of-pocket spending as much as possible.
- The company should place special emphasis on prospects that can result in increased cash receipts.

New Project Investment Analysis:

A new project investment study is offered for the organization, with the initial investment set at $400,000 and the WACC estimated to be 12%, leading to the calculation of net present value.

Year	Cash Flow	PV Factor	Ciscounted Flow	Cash
0	-400000	1	-400000	
1	75000	0.892857	66964.28	
2	120000	0.797194	95663.26	
3	180000	0.71178	128120.44	
4	250000	0.635518	158879.52	
5	350000	0.567427	198599.4	
			248226.91	

The company should finance the project because the NPV is $248227 and the WACC is 12%. This is true since a positive NPV number suggests that the project will be profitable for the corporation.

Benefits of the Net Present Value Approach

Corporate executives frequently utilize the computation of net present value (NPV) to evaluate the profitability of various projects. It is based on the idea that income generated in the future will be worth less than money earned in the present (Gaspars Wieloch, 2019). The primary characteristic of the NPV is the restriction of future cash flows to present values. With the use of the net present value (NPV) method, a monetary amount that captures the worth of the business enterprise can be produced. Investors can see how a project affects the company's value. The NPV calculation incorporates the discount rate of a company's capital expenditures. This is the typical rate of return on investor capital for the company.

Net Present Value offers a number of benefits that are crucial to take into account when evaluating the financial health of a project or new business endeavor.

- It takes into account that today's dollar is worth more than tomorrow's dollar.
- The risk factor analysis might take the net present value into account (Basher & Raboy, 2018).
- With this strategy, both capital expenses and risk considerations are taken into account.
- Using net present value, one may accurately predict a project's results.
- It considers each financial flow associated with a project.
- Whether or not expenses will result in interest is shown by the net present value.

- The typical investor may easily understand the net present value method because it does not rely on the reinvestment assumption (Kärenlampi, 2019).

Capital:

Capital of Company	137,237
40% of Capital	54894.8
Retained Earnings	26,860

As the company's capital is more than its retained profits, which total $137,237, and is 40% greater than retained earnings, $26,860, it has more capital than either. Instead of using retained earnings, the corporation should spend its capital.

Decision on Return Earnings:

Dividends are sums of money paid out to shareholders from the profits of a company. These could come from payments made in the form of cash, company shares, or other types of real estate (Obaidat, 2018). Several periods of time and sums can be used to pay out dividends. In the past, firms have not paid dividends since it is more financially sensible to reinvest money in assets during critical periods of expansion. Even long-standing companies regularly reinvest their revenues to finance new projects, acquire rival companies, or settle debt. The price of the stock is increased by all of this activity.

General Motors Statistics:

The data indicates that $2,350 in dividends were paid in 2019, thus the corporation is not required to return those funds to shareholders but rather to use them to fund projects that would improve the business's capacity for effective operation (Financial morning star.com, 2020). The ratio figures show that there are many areas that want improvement. Therefore, the company must invest money in those activities in order for them to address the problems and improve their effectiveness, which will raise the value of the company's shares, attract new and old investors, and increase the entity's revenue, which will increase the dividend paid to stockholders.

Conclusion:

As a result of their underwhelming performance, General Motors' financial ratios research suggests that the company has a lot of room for improvement. Since the company's revenues are falling and its ability to pay its debt is likewise falling, the analysis reveals an undesirable result. As a result of its subpar performance, the corporation also runs a significant risk of default. Due to the fact that these concerns are significant for the shareholders and that the company may experience liquidity challenges with little to no investment, the corporation should take these issues into consideration. In order to keep the business running smoothly and avoid a rapid decline, General Motors must also think about investing its dividends.

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