COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialization:	Marketing&Sales
Affiliated Center:	CEO Business School
Module Code &Module Title	**MGT720-FINANCIAL MANGMEMENT**
Student's Full Name:	Alqurashi Faisal Abdulrahman M
Student ID:	EUI2020830
Word Count:	**3700**
Date of Submission:	26/12/2022

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished),andhasnotbeenpreviouslysubmittedforassessmentelsewhere.

E-SIGNATURE: Faisal Alqurashi

DATE: 26/12/2022

EIU Paris City Campus

Address:59RueLamarck,75018Paris,France|**Tel:**+33144857317|**Mobile/WhatsApp:**+33607591197|**Email:**paris@eiu.c

EIU Corporate Strategy & Operations Headquarter

Address:12thFl.AmarinTower,496-502PloenchitRd.,Bangkok10330,Thailand|**Tel:**+66(2)256923&+66(2)2569908|

Mobile/WhatsApp :+33607591197|**Email:**info@eiu.ac

Contents

Introduction

Management of financial resources is vital to the success of businesses and other organizations because it paves the way for the accomplishment of organizational goals and objectives. The importance of proper financial management in a company may be broken down into several distinct categories.

Owners and managers of businesses have a number of obligations, one of the most significant of which is financial management. They have a responsibility to take into account the potential repercussions of the management decisions they make on the profitability, cash flow, and overall financial health of the organisation. The owner of a company is the one who is responsible for analyzing and exercising control over all of the activities that take place within the firm since these actions have an effect on the financial performance of the organisation.

During the early stages of period, the majority of enterprises report losses and face negative cash flows. Managing one's finances effectively is of the utmost significance at this time. Even if there is a greater amount of money going out of the business than coming in during the first few months of operation, managers still have a responsibility to ensure that they have sufficient cash on hand to pay staff and suppliers. This indicates that the owner of the company needs to develop financial estimates of these negative cash flows so that he can have some concept of the amount of capital that will be required to fund the company until it becomes profitable. When a company expands and becomes more established, it will require an increasing amount of cash to support that expansion. It is absolutely necessary to make a plan and a budget to accommodate these financial requirements. Financial managers are the ones who make the decision on whether the expansion should be funded internally or by borrowing money from outside lenders. Finding the appropriate source of money at the lowest possible cost, controlling the company's cost of capital, and preventing the balance sheet from being overly burdened with debt in a way that would have a negative influence on the company's credit rating are all aspects of financial management.

1. **The performance evaluation and analysis of the following measures:**

General Motors

American multinational firm General Motors offers facilities for the assembly, planning, transportation, and sale of automobile components around the world. The company's upper-level administration is based in Detroit, Michigan. Manufacturing plants for the Cadillac, GMC, Buick, and Chevrolet brands may be found in over 15 different countries (GM.com, 2021). The mission of General Motors, which has been in operation for nearly a century, is to "drive positive social and environmental change." Over 180,000 employees are working for the corporation. More than that, General Motors has an out-of-the-ordinary outlook and is working to lessen its impact on the world's supplies of fossil fuels, greenhouse gases, water, and trash. General Motors has been the industry leader in terms of total average car pay for the past 77 years in a row, and it is currently one of the top vehicle manufacturers in the world in terms of unit revenues (GM.com, 2021). General Motors relies on wholly dependable partners for its international operations. It wasn't until 2010 that the corporation started making annual payments to its staff. Future payments are guaranteed by contract and will reflect past events. Clinical consideration cost savings and other expenditure reductions might total USD 45 billion over the next 20 years, reports the Wall Street Journal (GM.com, 2021). With 8.5 million motors sold all around the world in 2010, General Motors was in second place. Initially, GM expanded in 2011, resulting in an 11.9 percent share of the general vehicle sector and a total pay of 9.025 million autos. In the introductory discussion in May 2013, GM President Dan Akerson said that the company is on track to regain its position as the most valuable company in the S&P 500. As of April 24th, 2014, GM's lead for Q1 2014 was down to $108 million, as reported by CNN Money. Due to a lack of starting drives linked to 124 deaths, GM predicts that the cost of its 2014 upgrade will be $1.5 billion (GM.com, 2021). This was GM's first foray into the ride-sharing market, and the company's stated goal of a "connected, reliable, and autonomous" transportation future is evident from the round's mentioned promise.

Profitability

The ability of a company to create earnings in relation to its revenue, operational costs, balance sheet assets, or shareholders' equity can be evaluated using data from a single moment in time with the help of a class of financial measures known as profitability ratios. Comparisons can be made between profitability ratios and efficiency ratios, which analyze how effectively a company makes use of its own resources to produce income from within (as opposed to after-cost profits). When it comes to profitability ratios, the fact that a firm has a value that is higher when compared to a ratio that was used by a rival or when compared to the same ratio used during an earlier time period suggests that the company is doing well.

Gross Margin

2016	2017	2018	2019
12.75	13.5	9.6	10.18

GM's Gross Margin dropped from 12.75 in 2016 to 10.18 in 2019, a decrease of 20.15 percent (Financial morning star.com, 2020). Failure to control costs is reflected in a negative margin.

Operating Margin

2016	2017	2018	2019
5.7	6.9	3.0	4.0

Compared to 2016, General Motors' Operating Margin was 5.8, indicating a fall of 31.2 percent, to 3.99 in 2019. This suggests that the company's revenues are less than the cost of items sold and operating expenses.

EBITDA Margin

2016	2017	2018	2019
12.40	11.50	15.20	14.28

The EBITDA Margin for General Motors increased from $12.4042 in 2016 to $14.2811 in 2019, an increase of 15%. This suggests that the company is using its resources more efficiently and is receiving adequate compensation for its efforts.

Net Profit Margin

2016	2017	2018	2019
5.67	-2.67	5.38	4.80

There was a decrease of 24.11 percent between 2016 and 2019 in the Net Profit Margin of General Motors, which shows that the company is making less money than it is spending.

Return on Equity

2016	2017	2018	2019
22.52	-9.84	21.43	16.32

The Return on Equity for General Motors fell from $22.52 in 2016 to $16.32 in 2019, a fall of 31% that suggests a problem rather than the creation or maintenance of enormous value for the company's owners. This section calls attention to the need for theorists and administrators to work tirelessly to safeguard vital positive ways from a diminished return.

Return on Assets

2016	2017	2018	2019
4.53	-1.79	3.60	2.89

The percent from 4.53 in 2016 to 2.89 in 2019 for General Motors' Return on Assets indicates that the company is either investing more money or making less money.

(ROI) Return on Investment

2016	2017	2018	2019
8.41	-2.88	6.02	4.76

The Return on Investment for GM in 2016 was 8.41 and is expected to be 4.76 for 2019. This means that General Motors' ROI fell by 38.6 percent, showing that the investment resulted in lower returns than otherwise would have been the case had investment costs been better managed.

Efficiency

Asset Turnover Ratio

2016	2017	2018	2019
0.80	0.67	0.67	0.60

Asset Turnover Ratio for GM fell from 0.80 in 2016 to 0.60 in 2019 (a fall of 4.3%), showing that during the past four years, GM has been able to convert assets at a more surface level into value at a rate of 0.80 to 0.60.

Inventory Turnover Ratio

2016	2017	2018	2019
10.53	10.31	12.98	12.19

A rise of 0.5% in stock turnover over the past 4 years may be inferred from GM's Inventory Turnover Ratio, which was 10.53 in 2016 and 12.19 in 2019. When compared to 2016, they are better prepared to sell their stocks at various points throughout the year. It is taking longer to transform raw materials into finished products, despite the fact that the process is not very efficient.

Account Receivable Turnover Ratio

2016	2017	2018	2019
5.73	4.82	4.74	4.11

31.6 percent drop can be seen between 2016 and 2019 in the Receivable Turnover Ratio, which stands at 4.11 times compared to 5.73 times in 2016. The company is making steady progress in decreasing the time it takes to collect receivables. They are paying off their obligations in a shorter amount of time.

Account Payable Turnover Ratio

2016	2017	2018	2019
64.16	73.71	63.45	64.13

A better average Payable Turnover may be seen in the Payable Period, which decreased from 64.16 days in 2016 to 64.13 days in 2019. It shows evidence that a bond is strengthening between the company and its creditors or suppliers. Each year, 2016 and 2019, have 365 days. These numbers prove the company is operating well, which is good news for the business.

Short-term Solvency

The capacity of the enterprise to fulfil its commitments constitutes its level of solvency. In light of the fact that it is beneficial for any enterprise to manage its operations in such a way that they have a positive impact, it is imperative that the business constantly assess its capabilities. For this reason, one of the most important aspects of determining how successful an enterprise is conducting an analysis of the company's financial health. This indication has not been neglected by a consulting firm, a rating agency, or an inspector, which means that every business, in order to prevent bankruptcy and preserve competitive positions at a high level, must do their own independent analysis of the company's ability and liquidity. The pursuit of short-term profit is frequently the primary objective of businesses, despite the undeniable significance of this factor. However, in an effort to raise their level of profitability, these businesses have turned to a kind of financing known as debt (debt), which puts the financial health of the company in jeopardy. It is essential to make computations of current liquidity ratios for a variety of time periods. Specifically, the ratio of current assets (TA) to current liabilities needs to be determined (TA). The current assets are equivalent to the current assets, which can be observed from the items on the balance sheet, with the income from future operations taken into account. The word "current liabilities" refers to obligations that must be met within the next several years, including as liabilities to tax authorities, wages, and settlements with various suppliers. Liabilities that are considered current are those that require payment during the subsequent period, such as one month. The level of liquidity that a firm possesses indicates whether or not the company is able to meet its short-term liabilities by reducing the value of its assets in the shortest amount of time possible and without bringing in any new funding. The current liquidity ratios have a standard value of 2.0 as their value.

Current Ratio

2016	2017	2018	2019
0.89	0.89	0.92	0.88

General Motors' current ratio has decreased from 0.8946 in 2016 to 0.8832 in 2019 (a 1.27 percent decrease), indicating that the company is failing more dismally to manage its short-term assets.

Long-term Solvency

If a corporation maintains its solvency, it demonstrates that it has the ability to continue operating as a business. If the company stops meeting its financial obligations and then becomes insolvent, it will most likely enter into insolvency proceedings, which means taking legal action to convert the company's assets into cash in order to pay off the company's debts. If the company does not fulfil its financial obligations, it will become insolvent and most likely enter into insolvency proceedings. Solvency ratios are calculated ratios that are used to analyze the financial position of an organisation from the perspective of its ability to remain solvent over the long term. Investors pay close attention to these ratios because they measure a company's ability to meet its long-term obligations. This helps investors understand and estimate the company's ability to meet its long-term obligations, which in turn helps investors decide how much of their money to invest in the business over the long term.

Debt to Capital Ratio

2016	2017	2018	2019

0.538	0.487	0.517	0.5892

As a result of a 9.55 percent risk increase between 2016 and 2019, the company's Debt to Capital Ratio is expected to rise from 0.538 to 0.5892, which will reflect a rapid growth in both the financial vulnerability of General Motors and the impact that this vulnerability will have.

Debt to Equity Ratio

2016	2017	2018	2019
1.27	1.92	1.88	1.60

This indicates that the company is increasing its financing through the reception of money, which places the connection at high risk if its cost of purchasing turns out to be too cheap. The D/E ratio in 2019 was 1.27, which is a decrease from 1.60 in 2016.

Market-based Ratios

The Price-Earnings Ratio (P/E) is one of the ratios that is always included in the daily financial bulletins. It is considered to be one of the most well-known and widely used financial ratios that is utilized in the process of determining the value of the firm. This ratio is determined by dividing the current share price of the company by the actual earnings that have been earned.

Book Value per Share

2016	2017	2018	2019
29.81	30.17	27.19	31.82

There was an 11.7 percent growth in Book Value per Share for General Motors, from $29 in 2016 to $31 in 2019. This is a sign that the value of General Motors stock has increased in the past four years relative to its value in a liquidation.

Operating Cash Flow per Share

2016	2017	2018	2019
10.57	9.56	9.72	10.43

Operating Cash Flow per Share for General Motors fell from 10.57 in 2016 to 10.43 in 2019, a decline of 1.32 percent. As such, it's clear that the company needs to make some sort of investment or bring on more employees to be able to keep up with the expenses.

Free Cash Flow per Share

2016	2017	2018	2019
-8.59	-9.80	-6.95	-3.92

General Motors saw a reduction of 54.36 percent in Free Cash Flow per Share from 2016 to 2019, from -8.59 to -3.92. (Financial morning star.com, 2020). This indicates that the company should work on reducing its cash outflows while simultaneously growing its cash inflows

2. **The recommendations to improve the company business:**

Gross Margin

Here are a few recommendations for improving the company's gross profit margin:

- Every so often, they should take a look at the margin of profit.
- Products' prices need to go up to increase sales.
- To increase customers, discounts should be offered to customers.
- They need to negotiate price cuts with their suppliers as much as feasible.
- Better stock management and lower inventory costs are possible with the help of an inventory management system, which they should use.

Operating Margin

Here are some ideas for improving the company's operating margin:

- The company should work on a plan to stop price cutting for customers.
- Maintaining consistent operations while also lowering production costs is a top priority.
- There needs to be an increase in the average order value over a given time frame.
- They need to work on strengthening their supplier ties to save money on raw materials.
- Employees should be encouraged to go above and above by the company.
- They need to be aware of resource waste and do what they can to reduce it.

Net Profit Margin

Every company's goal should be to increase its profit margin. An organisation enjoys a greater competitive advantage over its rivals in similar businesses if its net margin is greater than the average in the industry. Although normal net margins differ widely by industry, the means by which businesses can gain a competitive edge keep evolving, whether by increasing revenues or decreasing expenses. The advice below is what they should do:

- In order to increase sales, they need to hire more qualified managers and supervisors.

- Also, they need to cut revenues efficiently in order to boost their income.

Return on Equity

Increasing a company's return on equity can be done in several ways. The following are some suggestions for approaches:

- They need to seek for ways to raise their financial leverage.
- The company's attention needs to be directed toward boosting profit margins.
- They also need to boost asset sales.
- The cash of surplus funds is necessary to boost asset sales.
- Tax burdens should be as light as feasible.

Return on Assets

Expansion or maintenance of an organization's assets is one of the most important responsibilities that comes with managing a huge company. This is because this proportion accounts for the vast majority of all owners, prospective investors, boards of directors, management teams, and employees. However, the return on assets is primarily of interest to investors. The shareholders are interested in the efficiency with which corporate management manages the company's resources. Assuming all else being equal, a higher ratio is indicative of competent financial management and, by extension, of relatively low expenses as compared to those of both the company and its rivals.

In order to maximise returns and reach target asset levels, management must focus on the following.

- To boost ROI, businesses must 1) decrease their total assets, 2) prioritise growing their liquid assets to better control their short-term costs, and 3) strive to cut or eliminate expenses on their overall assets.

Return of Investment

Your capacity to oversee investments and property as the owner of a company is absolutely essential to achieving the highest possible return on your investment.

The following suggestions are offered to improve ROI:

- They should look at the cost factors that are more expensive than they anticipated.
- If a management wants to better manage its income and expenditures, it should prioritize internal departmental organisation.
- The emphasis should be placed on invention of new ideas and concepts to entice additional investors, and they should make investments in compound interest opportunities to boost the return value.

3. The recommendation of new investment project to the company.

The company is given an analysis of a new project's investment in which the initial investment is sized at $400,000 and the WACC is presumed to be 12%, culminating in the determination of net present value.

Year	Cash flow	PV factor	Discounted cash flow
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	198599.40
			248226.91

In this case, the NPV is $24,827 and the WACC is 12%, hence the project should proceed with the investment. This is so because a positive NPV value is indicative of a successful project for the business.

In a nutshell, the Net Present Value Method has a lot of advantages.

Net present value (NPV) method is commonly used by C-suite executives to compare the financial viability of potential business ventures. It's based on the idea that future earnings are currently worth less than present's cash . The primary characteristic of the NPV is that it only considers the present value of cash flows in the future. When applied to a business initiative, the net present value (NPV) method yields a monetary value indicative of the project's worth. They can see the direct impact a project has on the worth of the organisation. The NPV is computed by factoring in the discount rate applied to the capital expenditure by the company. The average rate of return on an investment in the company.

It is crucial to take into account the advantages that Net Present Value provides when evaluating the financial health of a project or new enterprise.

- A dollar today is worth more than a dollar tomorrow, and this is taken into account.
- This risk factor analysis might take into account the net present value.
- Using this method, one can take into account both capital expenditures and risk considerations.
- Net present value allows for precise prediction of a project's results.
- It considers the financial scope of a project's cash flows.
- If an investment will yield a profit, the net present value will show that.
- As opposed to the reinvestment assumption, the net present value method is simple for the everyday investor to understand.

Capital

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

Given that the company has more capital than retained profits of $137,237 (by a factor of 40%, or $54,895), it follows that the company has more than twice as much capital as retained earnings ($26,860). Capital, rather than retained earnings, should be used by the company.

4. **Discuss whether or not the company must pay return earnings or not**

Shareholders receive dividends when a company pays out a percentage of its profits to them. Cash, stock, or other property payments are possible (Obaidat, 2018). Dividends can be paid in a wide range of frequencies and amounts. It is considered more economically sound to reinvest funds in assets rather than pay dividends by most firms, especially during crucial periods of growth. Profits are often reinvested by even new companies in order to finance expansion, pay acquisitions, or reduce debt. The stock price benefits from all of these actions.

Data from General Motors

The dividends for 2019 are paid to be $2.350; however, the corporation may elect to return these funds in the pursuit of growth and efficiency dividends rather than distribute them to shareholders (Financial morning star.com, 2020). As the ratio data demonstrate, there is room for improvement in many different aspects of the situation. Therefore, the company ought to invest in those initiatives to address the problems and strengthen their efficacy. This would result in an increase in the value of the firm's shares and attract new and existing stockholders, which would ultimately lead to an increase in revenue and a greater dividend for stockholders.

Conclusion

In the previous I hope to achieve the required answers as I discuss the importance of the financial management as we should integrate financial management into any company's core operations and ongoing planning. It discussed some accounting records as well as financial documents related to the business. It provided a suggestion on how to boost the business's productivity and operations. The importance of allocating earnings to shareholders and investors was also discussed in the paper. According to the financial ratios study, General Motors has a lot of room for improvement because their performance is inefficient. Since its revenues are falling and its ability to service its debt is falling, the study shows the undesirable conclusion. The company's poor performance also creates a substantial risk of default. Thus, the corporation ought to suffer about these concerns, since they are problematic for shareholders and could lead to liquidity troubles if there is insufficient investment. General Motors needs to think about investing its dividends to suffer the company running smoothly; otherwise, it would soon collapse.

References

- *Altman, E. (1968). Financial Ratios, Discriminant Analysis and the Prediction of Corporate. Bankruptcy,Journal of Finance.*
- *Ash, R. (1992). Assets Enginering and Financial Restructuring.in the book ;Financial management,Concepts and applications ,Rao . Macmillan Publishing company.*
- *Brealy, R. ,. (2003). Principles of corporate finance. USA: McGrow-Hill.*
- *E, A. (September , 1968). Financial Ratios, Discriminant Analysis and the prediction of Corporate. Bankruptcy, journal of Finance.*
- *Hayali, W. A. (2007). Financial analysis. Denmark: The Arab Open Academy of Denmark.*
- *Kewon, A. J. (1994). Foundations of finance . Mc Graw - Hill Book Company.*
- *Preve, L. ,. (2010). Working capital management . USA: Oxford university press.*
- *Steverson ricard , Foundation of Financial Management. 4*
- *th ed ,1996*