COVER PAGE AND DECLARATION

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Introduction

Organizations are expected to give accomplices, especially speculators, with their budgetary information. To this end, spending outlines for one year are given by organizations with all the organization's cash related nuances. Theorists anticipate an organization's future profitability and reasonableness with these financial outlines, however the board subtleties a strategy. This article hopes to determine an organization's budgetary end results by a comprehensive appraisal of an organization's represented reports. General Motors, a US-based organization is picked for assessment.

In this report, a total introductory appraisal will happen of General Motors, including its profitability, adequacy, transient dissolvability, long stretch dissolvability, and market-based indicators. For this explanation, the monetary rundowns of General Motors all through the past four years have been considered. In like manner, proposals will be given to improve the organization business, considering assessment. Additionally, another hypothesis assignment will moreover be endorsed to expand the business, by advancing the 40% of its capital (Arvey & Murphy, 1998). Unmistakable hypothesis assessment systems, including Net Present Value and Weighted Average Cost of Capital, will be used to perform adventure examination.

About General Motors

General Motors is a multinational American organization that gives vehicle parts setup, planning, headway, transport, and selling workplaces. The organization's managerial focus is in Detroit, Michigan, USA. By and by, its plants are under Cadillac, GMC, Buick, and Chevrolet brands more than 15 countries. General Motors is more than 100 years old and hopes to make the atmosphere cleaner, more advantageous, and more prosperous. The business has right around 180,000 staff.

General Motors similarly has the most un-characteristic impression and intends to decrease the intensity of energy, carbon, water, and waste.

For 77 straight years, General Motors dealt with overall ordinary vehicle pay more than some other individual and is as of now one of the top vehicle creators overall in regards to unit revenues. General Motors works in most various countries through completely guaranteed helpers. The OnStar assistant GM offers defend prosperity, and information organizations for vehicles. In 2009, General Motors set out different things and shut down Saturn, Hummer, and Pontiac.

Since 2010, the organization has made yearly pay. The obligation commitment concerning future payments will be that by past incidents. The Wall Street Journal gauge energize diminishes of to USD 45 billion all through the accompanying 20 years for clinical consideration costs and other spending propels. General Motors, who passed on 8.5 million motors far and wide, was recorded second in 2010. In 2011, GM initially broadened, including 11.9% of the general vehicle region bit of the pie, with by and large pay of 9.025 million vehicles.

President Dan Akerson said in May 2013 that GM is on track to re-appearance of the S&P 500 record, during the fundamental talk. As the decline bargained in 2009, GM was dropped from the table. The CNN Money secured 24 April 2014, GM advantage for the underlying three months of 2014 tumbled to 108 million dollars. The expense of their 2014 update is starting at now reviewed at $1.5 billion by GM because of lacking starting drives related with in any capacity 124 fatalities. This was GM's first interest in ride-sharing and its itemized commitment in the round clearly means that it is trying a "related, reliable and autonomous" transportation future.

Performance Evaluation

This section consolidates the show evaluation of General Motors, by separating the distinctive introduction measures in detail.

Profitability

General Motors has seen an 8% decline in its bit of leeway in the previous four years. To discover a few reasons its degree are should have been seen.

Gross Margin

$$GrossMargin=\frac{Revenue-Cost\ of\ Goods\ Sold}{Revenue}$$

In 2016, the Gross Margin of General Motors was 12.75 and in 2019 it was 10.18 which means that the Gross Margin decreased by 20.15%. A negative margin reflects the inability of a company to control costs. Businesses utilize a assortment of measurements to degree the victory of their trade and its activities. Benefit edge is one way for a commerce to see how much of their income remains after they pay bills and costs. As a bookkeeping or back proficient, you'll be able utilize your understanding of benefit edges and negative benefit edges to screen the budgetary wellbeing of your company. In this article, we examine what could be a negative benefit edge, what causes them and how to calculate them with an illustration. The gross profit margin metric is indicative of a corporation's ability to efficiently utilize its resources directly related to the production processes, in order to generate revenue. The gross profit margin serves as a key performance indicator utilized for evaluating the overall financial soundness of a company. The gross margin metric can serve as a valuable tool in evaluating the effectiveness of a company's business strategy in meeting its objectives pertaining to production, sales, and profitability.

The Gross Profit Margin (GPM) may assume a negative value when the aggregate expenses of manufacturing surpass the overall revenue generated through sales. Th e presence of a negative margin may serve as an indication of a business's limited ability to effectively manage and contain its expenses. Conversely, suboptim al profit margins may arise as an inherent outcome of widespread industrial or macroeconomic challenges that surpass the purview of a firm's executive leadership. Gross profit is defined as the residual revenue generated by an organization subsequent to the subtraction of its direct expenses incurred in the manufacture or production of the goods it offers for sale. Prior to conducting an analysis of the gross profit margin, it is imperative to undertake a comprehensive examination of the constituents of gross profit, as well as the costs that are not encompassed within the aforementioned margin.

Operating Margin

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

For General Motors, the Operating Margin was in 2016 was 5.8 and it was 3.99 in 2019 which shows that there was a decreasing of 31.2% inferring that the arrangements are less than the cost of items sold and working expenses.

EBITDA Margin

$$\text{EBITDA Margin} = \frac{\text{EBITDA}}{\text{TotalSales}}$$

In 2016 the EBITDA Margin for General Motors was 12.4042 and it was 14.2811 in 2019 which suggests that there is an improvement of 15% in EBITDA Margin interpreting that the organization has less working use and more significant compensations, showing that General Motors has a reasonable level of pay over which to pay its working costs.

Net Profit Margin

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

For General Motors, the Net Profit Margin was 6.319 in 2016 and it was 4.7954 in 2019 which shows that there was a decrease of 24.11% which indicates that the company is making less money than it is spending.

Return on Equity

The profitability of a corporation in relation to the worth of its stock, commonly referred to as the net income to equity value ratio, is a key financial metric that is frequently utilized in academic finance research and analysis. The Return on Equity (ROE) metric offers a straightforward means of assessing the level of investment returns. One potential method for identifying a company's competitive advantage is through a comparison between its return on equity (ROE) and the industry average. The Return on Equity (ROE) metric may offer valuable perspective pertaining to the utilization of equity-derived financing by the company management for the purpose of promoting business expansion.

A sustainable and rising return on equity (ROE) throughout a duration may indicate that a company possesses the ability to generate considerable value for its shareholders. This proficiency is attributed to the organization's financial acumen in employing its earnings efficiently, thereby enhancing operational efficiency as well as profitability. On the other hand, a reduction in return on equity (ROE) may indicate unfavorable managerial choices with regards to the allocation of resources into unproductive assets.

$$ROE = \frac{Net\ Income}{Shareholders'\ Equity},$$

In 2016, the Return on Equity of General Motors was 21.0301 and in 2019 it was 14.507 which infer that Return on Equity lessened by 31% which shows that there is a hardship instead of the expansion of huge worth to its speculators (Star, 2020). This is a piece stressed for theorists and managers endeavor as powerfully as possible to keep up a vital good way from a negative return.

Return on Assets

$$Return\ on\ Assets = \frac{Operating\ Income}{Tot\ al\ Assets}$$

For General Motors, the Return on Assets was 4.1811 in 2016 and it was 2.9236 in 2019 which shows that there was a decrease of 30.07% which implies that the firm has tended to have more capital invested or to earn a lower profit.

Return on Investment

$$Returnon\ Investment = \frac{Profit}{InitialCost}$$

In 2016 the Return on Investment for General Motors was 9.7158 and it was 5.959 in 2019 which means that Return on investment decreased by 38.6% which shows that investment lost money, so General Motors have less than they would have if they had simply done nothing with their assets.

The figures show that the profitability of General Motors has lessened and it will continue reducing if they don't make any move.

Efficiency

The efficiency of a company in utilizing its assets to generate sales is gauged by a ratio. To calculate the capability of a company following plans are used:

Asset turnover Ration

The asset turnover ratio, alternatively referred to as the total asset turnover ratio, is a metric utilized to evaluate the effectiveness of a company's asset utilization in generating revenue. The formula for calculating the asset turnover ratio is expressed as the quotient of net sales and the total or average assets held by a company. This metric is widely used in financial analysis to measure the efficiency of a company's utilization of its assets for generating revenue. A corporation that exhibits a higher asset turnover ratio is deemed to operate more effectively than its competitors reporting a lower ratio Schmidt, J. (2023).

Highlights

- The Asset Turnover Ratio is an efficiency metric utilized to evaluate a company's profitable utilization of its assets in generating sales.
- It is deemed inappropriate to make comparisons between ratios of companies across differing industries, given that varying levels of capital intensity can be observed among them.

- Typically, a higher ratio is deemed advantageous as it signifies an effective utilization of resources.
- A decreased ratio signifies sub-optimal efficacy, which can be attributed to inadequate utilization of fixed assets, substandard collection techniques, and inadequate inventory administration.

Asset Turnover Ratio formula

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

In 2016, the Asset Turnover Ratio for General Motors was 0.6729 and in 2019, it was 0.6018 which suggests that there Asset Turnover Ratio extended by 4.3% in the past four years exhibiting that General Motors is changing over 4.3% worth of a more prominent measure of its assets into bargains.

Inventory Turnover Ratio

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

In 2016, the Inventory Turnover Ratio for General Motors was 11.79 and in 2019, it was 11.85 which infer that the stock turnover extent has extended by 0.5% in the previous four years for General Motors (Anahim, 2020). They are by and by more fit for selling their stock during the year than in 2016. Notwithstanding the way that is anything but a great deal of capable yet it is improving with time and will continue improving in the distant future.

Account Receivable Turnover Ratio

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

In 2016, the Receivable Turnover Ratio was 6.0089 days and in 2019 it was 4.1091 days which suggests that the Receivable Turnover Ratio has decreased by 31.6%. The organization is perseveringly improving its receivable period as it is decreasing which is helpful for the organization.

Account Payable Turnover Ratio

$$\text{Account PayableTurnoverRatio} = \frac{\text{Purchase}}{\text{Average Account Payable}}$$

In 2016, the Payable Period was 60.74 days and in 2019 it was 88.82 days so the advancement for typical Payable Turnover is 46.22% suggesting that the affiliation is creating is a payable period for commitment and this figure will continue improving.

These figures show that the company is working successfully which is helpful for the organization.

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, for General Motors it was 0.8946 and in 2019 its current extent was 0.8832 which infers that its current extent has decreased by 1.27% in the past four years which suggests that there is a higher of hopelessness or default of General Motors.

The transient solvency of General Motors is appalling at whatever point looked through an examiners' perspective.

Long-term Solvency

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

Debt to Capital Ratio

$$Debt\ ¿Capital\ Ratio = \frac{Long\text{-}term\ Debt}{Capital}$$

For General Motors, the Debt to Capital Ratio in 2016 was 0.538 and in 2019 it was 0.5892 which means that it has increased by 9.55% indicating the company’s financial vulnerability and its impact are likely going to quickly boost the organization’s risk.

Debt to Equity Ratio

$$Debt\ ¿Equity\ Ratio = \frac{Total\ Liabilities}{Shareholders\ Equity}$$

In 2019, the D/E Ratio was 2.25 and in 2016 it was 1.74 meaning that the D/E ratio increased by 29.3% indicating that the firm is increasing its funding through getting money, which places the relationship at serious risk if its cost of procuring ends up being unreasonably moderate.

The long term solvency of the company shows that the organization has a threat of default.

Market-based Ratios

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

Book Value per Share

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

In 2016, the Book Value per Share was 29.38 for General Motors and in 2019 it was 32.8264 inferring that Book Value per Share extended by 11.7% showing that the bits of General Motors have more liquidation regard then it had in the past four years.

Operating Cash Flow per Share

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

For General Motors, the Operating Cash Flow per Share was 10.57 in 2016 and it was 10.43 in 2019 which shows that there was a diminishing of 1.32% that exhibits that the organization couldn't continue covering the tab without contributing resources or utilizing resources.

Free Cash Flow per Share

$$Free\ Cash\ Flow\ per\ Share = \frac{Free\ Cash\ Flow}{}$$

No.of OutstandingShares

For General Motors the Free Cash stream per Share was -5.55, while in 2019, the Free Cash stream per share was 3.00 and expansion of 45.95%, indicating that the organization is considered to improve possibilities and to upgrade vital and non-money related influence.

Recommendations for Improvements

Gross Margin

Following are the recommendations to improve the gross profit margin:

- Profit Margins should be Analysed
- Prices should be Increased
- Discounts should be Given
- Price should not be a Matter of Competition
- Try to Take as much Discount from the Vendors
- Use Inventory Systems

Operating Margin

Following are some recommendations to improve the operating margin:

- Prevent Discounting by Improving Inventory Transparency
- Brand should be Elevated and the Perceived Value should also Increase
- Consistent Operations and Lowering Production Costs
- Average Order Value should also Increase

- Prices should also be Increased
- Enhance the Relationship with Suppliers
- Inspire the Staff to Do More
- Identify and Eliminate Waste

Net Profit Margin

Every company aims to improve its net margin. If the net margin of a business is greater than the average for its industry, it has a strategic edge that is stronger than other firms with comparable activities (Chakravarty, 1999). While the average net margin varies widely in different industries, how companies can gain a competitive advantage continues, whether sales are increased or expenses are reduced.

o Boosting Revenues o

Reducing Costs

Return on Equity

A business can develop its ROE in several ways. Some of the ways are recommended below:

- Contract more Financial Leverage
- Profit Margin should be increased
- Improve Sales of Asset
- Idle Cash should be Distributed
- The Ability to Pay Tax should be Low

Return on Assets

Increased or retained asset appreciation is one of the most critical activities for handling the bulk of the big company. This is because most owners, future investors, boards of directors, management teams themselves, and workers are involved in this proportion. However, shareholders are the important participants who concern themselves with the return on assets (Alsyouf, 2007). These individuals want to know how efficiently corporate senior management manages its assets. The higher ratio essentially implies that the funds are well handled and the costs are weak in terms of productivity in competition with business and rivals.

The key points that management should fix for high returns or increase in assets to target points are as follows:

- Decrease Total Assets to Improve Return on Asset
- Improve Current Assets
- Improve Fixed Assets

Return on Investment

As a company owner, the ability to manage finances and manage the company's assets is very important to increase return on investment. To improve the return on investment following recommendations are given:

- Investigating the Expense of Business
- Cleaning the Departments
- Compound Interest Investment
- The focus should be on Innovation
- Terms and Requirements for Business Proposals 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:

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

Short-term Solvency

The management has to focus on different strategies for improving the current ratio, including their current obligations and assets that are not one-time activities. It needs to be monitored all year round. Following are the ways through which short-term solvency can be improved:

- Faster Conversion of Lenders or Receivables
- Current Liabilities for Pay-Off
- Sell the Assets that are Not Productive
- Currently Improved Assets through the Rise of Shareholder Funds Continuing to Clean Bank Accounts

Long-term Solvency

Businesses can take steps to reduce their debt to capital ratios and increase them. Improved competitiveness, improved asset handling, and debt consolidation provide approaches that can be implemented (Doff, 2008). If the pricing plan is right, they are combined along with the increase in the price of their products or services. The approach used to minimize this combination will better be done for each other.

- Increased Revenue
- Inventory Management
- Debt Restructuring

Operating Cash Flow per Share

The negative cash flow is due to many factors. It can happen that customers do not pay or budget correctly for their purchases (Farshadfar & Monem, 2012). It is recommended that negative operating cash flow per share be recovered from:

- Analyse Financial Statements
- Modify terms and co nditions of payment
- Reduce Expenditure
- Generate More Sales
- Work with Manufacturers, Lenders and Creditors

New Project Investment Analysis

For the organization, a new project investment analysis is given in which the initial investment is $500,000 and WACC is taken as 10% which will lead to the calculation 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 estimation of NPV is a common way of evaluating the profitability of different companies by corporate managers. It is premised on the theory that the dollars earned in the future are currently less than the dollars in the bank. The main feature of the NPV is that cash flows from future years are limited to current values. The NPV approach produces a dollar figure that reflects the worth of the company's venture. Stockholders can see the contribution of a project to its value (Schwab & Lusztig, 1969). The NPV calculation incorporates the discount rate of a company's capital expenditure. This is the standard return rate for the contributions made in the company by shareholders.

Net Present Value has several advantages that are worth examining when looking at a project's financial situation or new investment.

- It takes into consideration that tomorrow's dollar is worth more than a dollar.
- The net present value will be included in the analysis of risk factors.
- Capital costs and risk factors are taken i nto account.
- Net present value can determine the results of value.
- It takes into consideration all cash flows from a project.
- It identifies the programs and pool money.
- If expenditure will produce interest, the net present value indicates it.
- For the average investor, the net present value ratio is simple.
- It's not the reinvestment presumption.

Capital

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

As the capital available to the company is more than the retained earnings I-e, $137,237, and it is 40% is $54,895 which is still more than retained earning i.e. $26,860, so the company should use its capital instead of retained earnings.

Decision on Return Earnings

Dividends include corporate income passed on to shareholders by companies. They may be cash, stock shares, or other property payments. Dividends can be given in various timescales and levels of payment. In conventional words, businesses usually do not offer dividends as it becomes fiscally shrewder when reinvesting cash in investments at critical development periods. Even wellestablished companies often reinvest their revenues to finance new initiatives, to acquire other firms, or to pay off their debts. All this activity tends to increase the share price.

General Motors Statistics

By looking at the statistics, the dividends paid in 2019 are $2,350 so the company should not return the dividends to shareholders instead they should invest in projects to increase its potential to work efficiently (Helper & Henderson, 2014). As seen through the ratios, there is a lot of room for improvement so the company should invest in those activates so that they could cope up with the problems to enhance their performance which will increase the company's shares value and old as well as new investors will invest in the organization and the firm will generate more profits and as a result, the shareholders' dividend will also increase.

Conclusion

The financial ratios analysis of General Motors shows that there is a lot of room for improvement in the company. The analysis is not much favourable as its revenue is decreasing and its ability to pay its debt is also quite low. Furthermore, there is quite a high risk of default of the organization. So these factors should be considered by the organization because these are concerning for the investors and with little or no investment the company will face liquidity issues. General Motors should also consider investing its dividends for the company to keep in running shape otherwise it will soon face a downfall.

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