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**TOPIC: STRATEGIC CFO CHALLENGE:
SAVING A FAILING GLOBAL FIRM**

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1. Introduction

For the present report, in the context of an international firm named General Electronics operating in the consumer electronics industry and struggling financially, the main focus is on the analysis of the past five years' financial performance of the company. In this regard, the report will focus on the identification of core financial problems in the business and help develop a strategic financial restructuring plan aimed at resolving the core problems and enhancing the financial performance of General Electronics. Furthermore, this report will also evaluate three proposed projects for future investment and recommend the most appropriate future investment project for the firm.

2. Financial Health Check

2.1 Analysis of the Firm's Financial Statements

The financial statements from 2020 to 2024 show a clear decline in performance and stability. Net sales fell sharply from £614,680 m in 2020 to £394,879 m in 2024, while operating losses deepened to £15,297 m, mainly due to high expenses and asset impairments. Net income turned negative in recent years, eroding equity from £313,301 m to £153,105m. Cash flow from operations remained positive at £14,822 m in 2024, but was much lower than in earlier years. Liquidity weakened, with cash dropping from £57,153 m to £26,783 m.

2.2 Ratio Analysis

a. Net Profit Margin

Profitability ratio					
Net profit margin					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Net income	38578	5301	407	-98238	-24029
Net sales	614680	601602	542751	420457	394879
Net profit margin = (Net income / Net sales) * 100	6.28	0.88	0.07	-23.36	-6.09

Figure 1: Net profit margin

(Source: self-report, 2025)

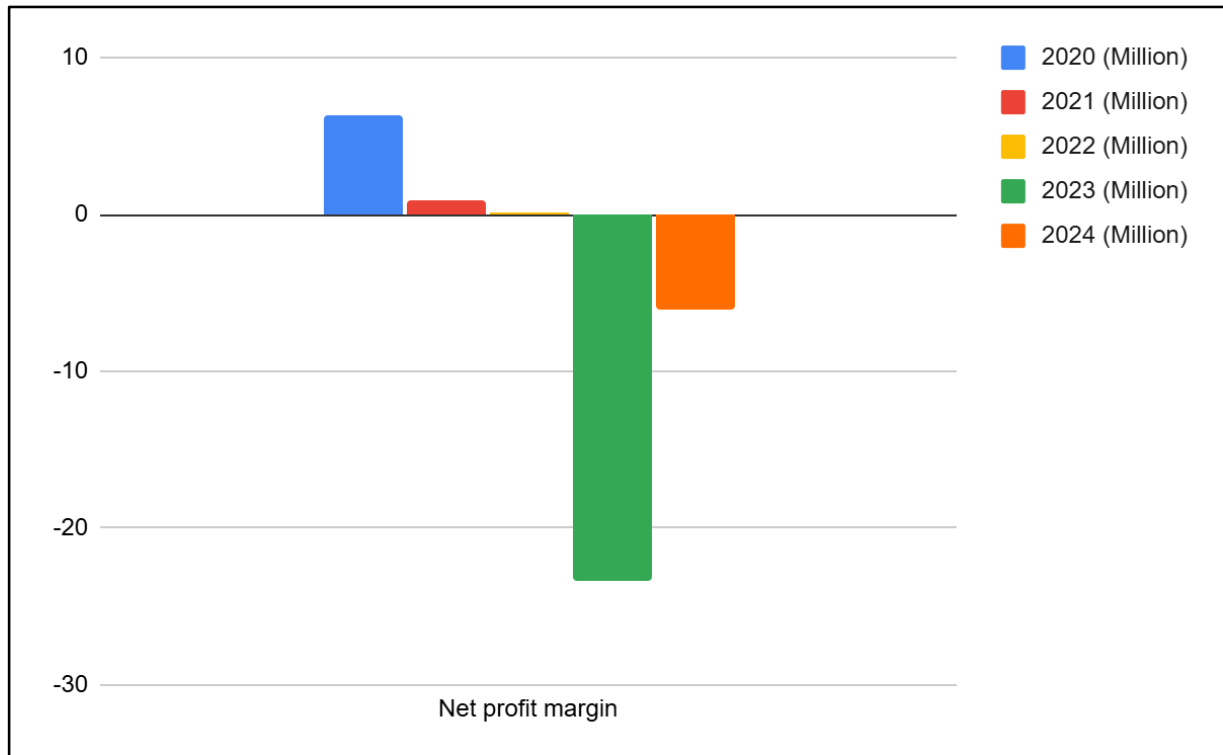


Figure 2: Net profit margin

(Source: self-report, 2025)

Net Profit Margin is used to determine the net income generated by a company per unit of sales after expenses and taxes (Corporatefinanceinstitute, 2025). The margin decreased greatly to 6.3% in 2020, to the losses of 23.6% in 2023 and 202,4, respectively, indicating poor profitability and cost inefficiencies.

b. Operating Margin

Operating Margin demonstrates the percentage of profit on core operations without interest and tax (Andoko and Angeline, 2023). It dropped as low as 6% in 2020, -20% in 2023, and -40% in 2024, which means that operational efficiency has gone down significantly. The fall was probably due to the increased administrative and selling costs.

Profitability ratio					
Operating profit margin					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Operating profit	37267	23253	14548	-85301	-15297
Net sales	614680	601602	54275 1	42045 7	394879
Operating profit margin = (Operating profit / Net sales) * 100	6.06	3.87	2.68	-20.29	-3.87

Figure 3: Operating profit margin

(Source: self-report, 2025)

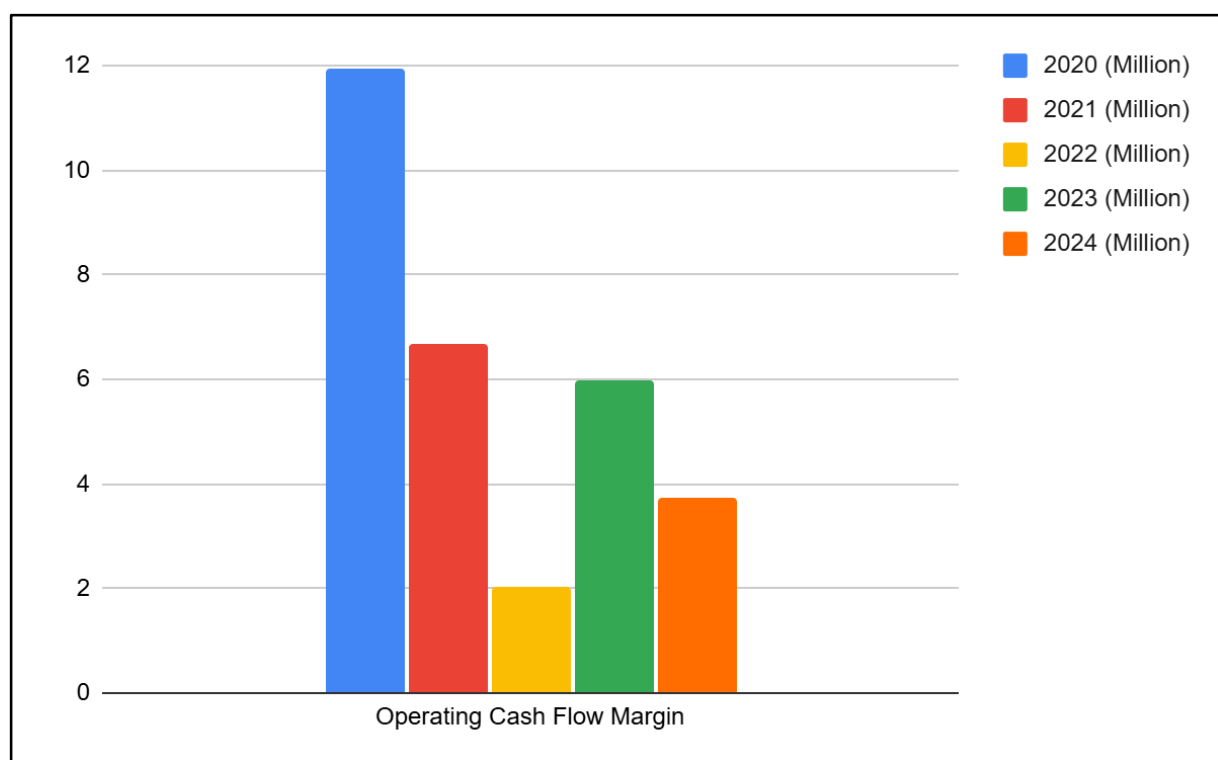


Figure 4: Operating profit margin

(Source: self-report, 2025)

c. Current Ratio

Liquidity ratio					
Current ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Current asset	326,84 3	337,14 6	338,04 0	258,85 1	242,49 4
Current liability	179,51 0	216,78 7	216,47 3	161,14 8	158,29 1
Current ratio = (Current asset / Current Liability)	1.82	1.56	1.56	1.61	1.53

Figure 5: Current ratio

(Source: self-report, 2025)

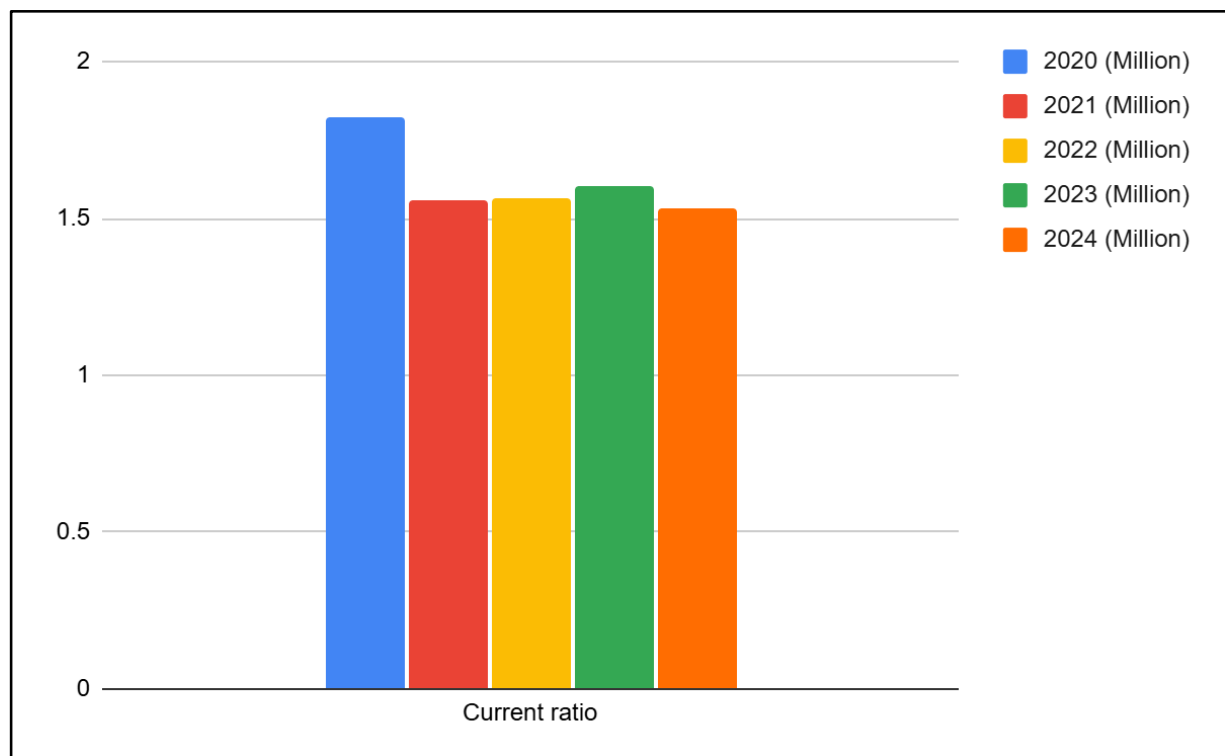


Figure 6: Current ratio

(Source: self-report, 2025)

The Current Ratio measures how a firm can cover its current liabilities with its current assets (Corporatefinanceinstitute, 2024). It fell in 2020 to 1.8, and then to 1.5 in 2024, which is an indicator of liquidity reduction. Even though a ratio of more than 1 is indicative

of sufficient short-term solvency, the decreasing trend indicates a deteriorating working capital. This implies that the cash flow of the company is constrained.

d. Quick Ratio

Liquidity ratio					
Quick ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Current asset	326,84 3	337,14 6	338,04 0	258,85 1	242,49 4
Current liability	179,51 0	216,78 7	216,47 3	161,14 8	158,29 1
Inventory	120430	134469	14018 1	88273	79355
Quick ratio = (Current assets - Inventory) / Current Liabilities	1.15	0.93	0.91	1.06	1.03

Figure 7: Quick ratio
(Source: self-report, 2025)

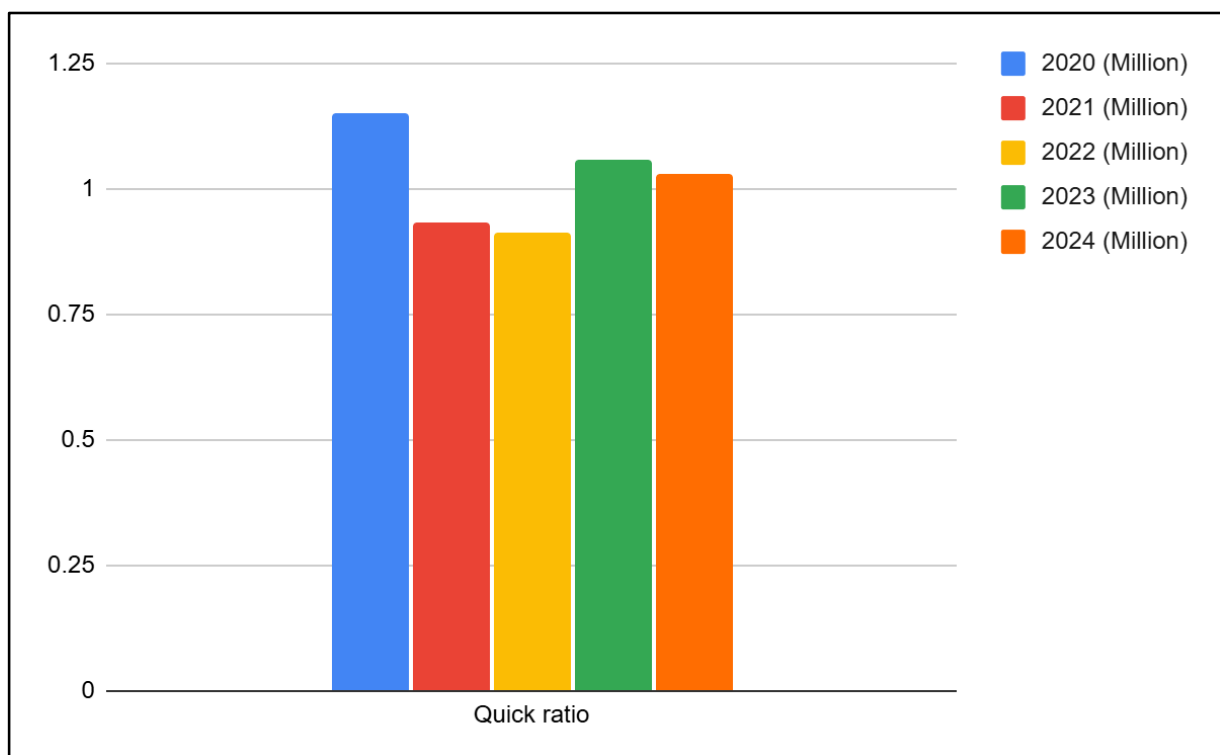


Figure 8: Quick ratio

(Source: self-report, 2025)

The Quick Ratio is used to assess the capacity to cover the short-term obligations with the help of only liquid assets, without taking into account inventory (Gunawan, 2023). It declined to about 1.0 in 2024, which is a sign of liquidity that was weakened. A ratio of a short time of say 1, means that the firm can just fulfil its obligations without liquidating an inventory.

e. Inventory Turnover

Efficiency ratio					
Inventory turnover ratio					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Cost of sales	438,424	428,586	390,459	322,897	280,885
Inventory	120430	134469	140181	88273	79355
Inventory turnover ratio = Cost of sales / Inventory	3.64	3.19	2.79	3.66	3.54

Figure 9: Inventory turnover ratio

(Source: self-report, 2025)

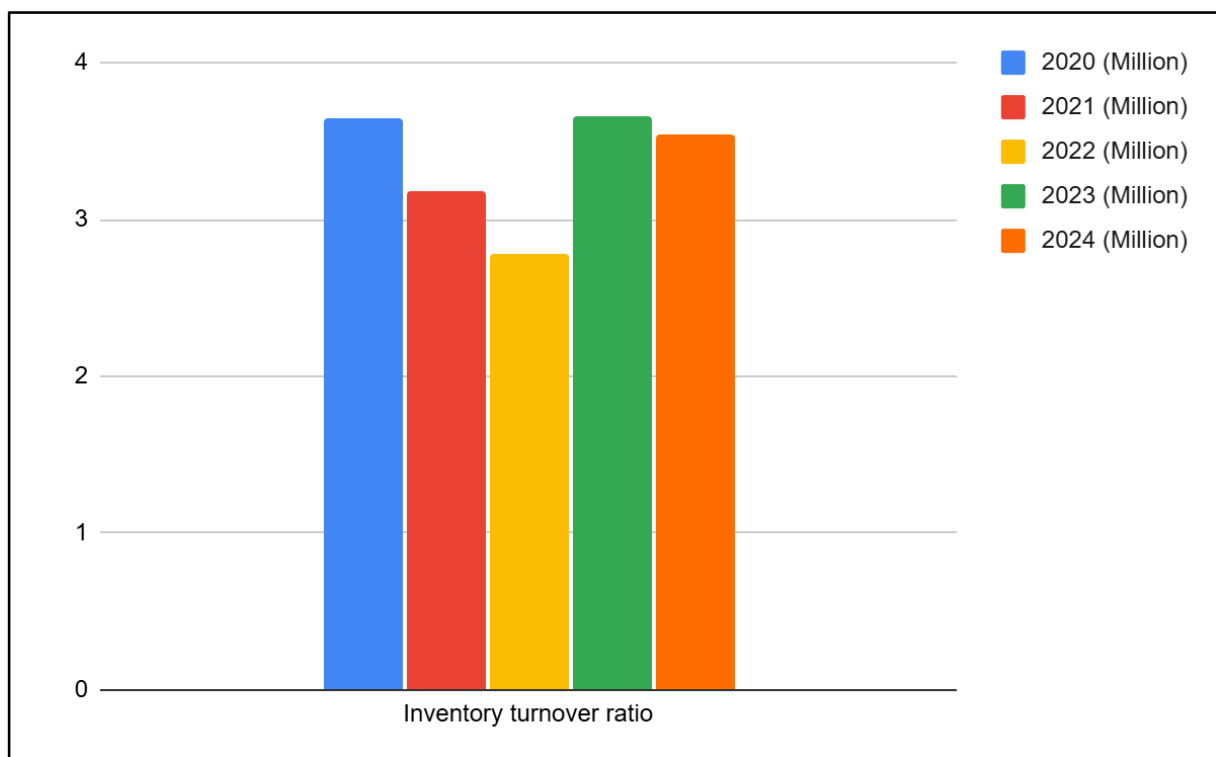


Figure 10: Inventory turnover ratio

(Source: self-report, 2025)

Inventory Turnover demonstrates the number of times inventory is sold and replenished within a period (*BDC*, 2025). It increased after falling in 2022 to 3.5 times in 2024, meaning improved inventory management and demand recovery. Nevertheless, the efficiency remains below the level on the pre-2021 basis.

f. Receivables Turnover

Efficiency ratio					
Receivable turnover ratio					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Net sales	614,680	601,602	542,751	420,457	394,879
Account receivable	129433	129215	112346	112596	114182
Receivable turnover ratio = Net sales / Account receivable	4.75	4.66	4.83	3.73	3.46

Figure 11: Receivable turnover ratio

(Source: self-report, 2025)

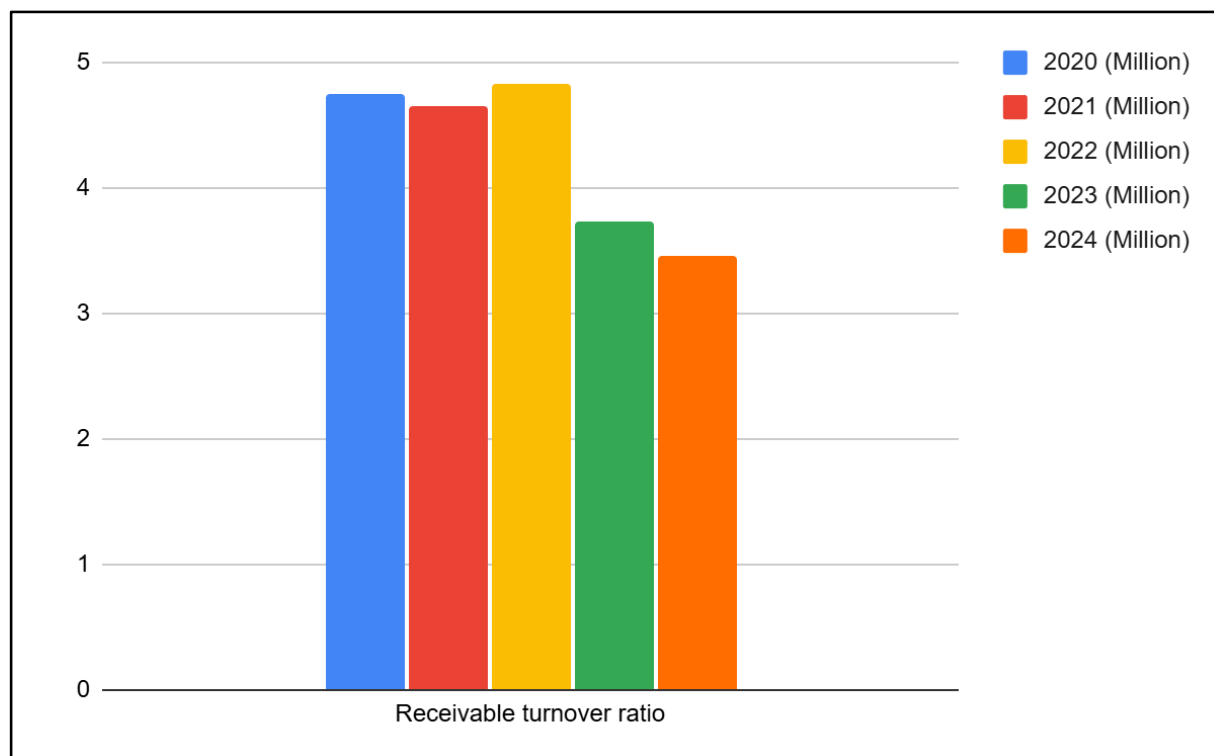


Figure 12: Receivable turnover ratio

(Source: self-report, 2025)

The Receivables Turnover reflects the rate at which the company collects receivables from customers (Yusup and Hariani, 2023). It dropped to 4.7 times in 2020 to 3.5 times in 2024 with slower collections and a risk of credit. This could be a result of soft credit

policies or weaker demand at the customer level. The slow collection decreases the cash inflows and liquidity.

g. Debt to Equity Ratio

Gearing ratio					
Debt to equity ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Total Liabilities	196,989	234,399	235,757	176,952	170,249
Shareholders Equity	313301	275949	268406	178920	153105
Debt to equity ratio = Total Liabilities / Shareholders Equity	0.63	0.85	0.88	0.99	1.11

Figure 13: Debt-to-equity ratio

(Source: self-report, 2025)

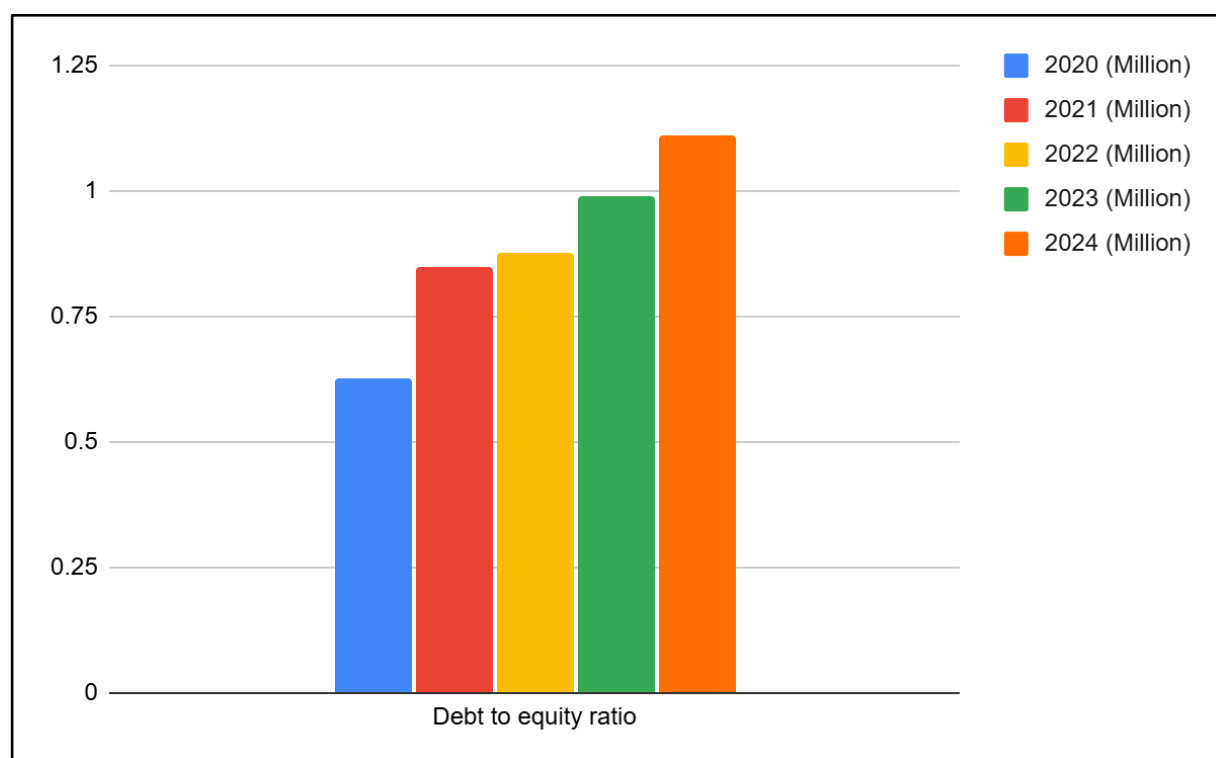


Figure 14: Debt-to-equity ratio

(Source: self-report, 2025)

The Debt to Equity Ratio is the comparison of the total debt and the equity of the shareholders of a company to show financial leverage (Corporate Finance Institute, 2023). It increased to 1.11 in 2024, compared to 0.63 in 2020, which means increased dependence on borrowed capital. High leverage creates financial risk, particularly when the profitability reduces. The growth also implies low equity because of a prolonged loss.

h. Interest Coverage Ratio

Gearing ratio					
Interest coverage ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Operating income	37,267	23,253	14,548	-85,301	-15,297
Interest expense	1422	566	2200	4332	3361
Interest coverage ratio = Operating income / Interest expense	26.21	41.08	6.61	-19.69	-4.55

Figure 15: Interest coverage ratio

(Source: self-report, 2025)

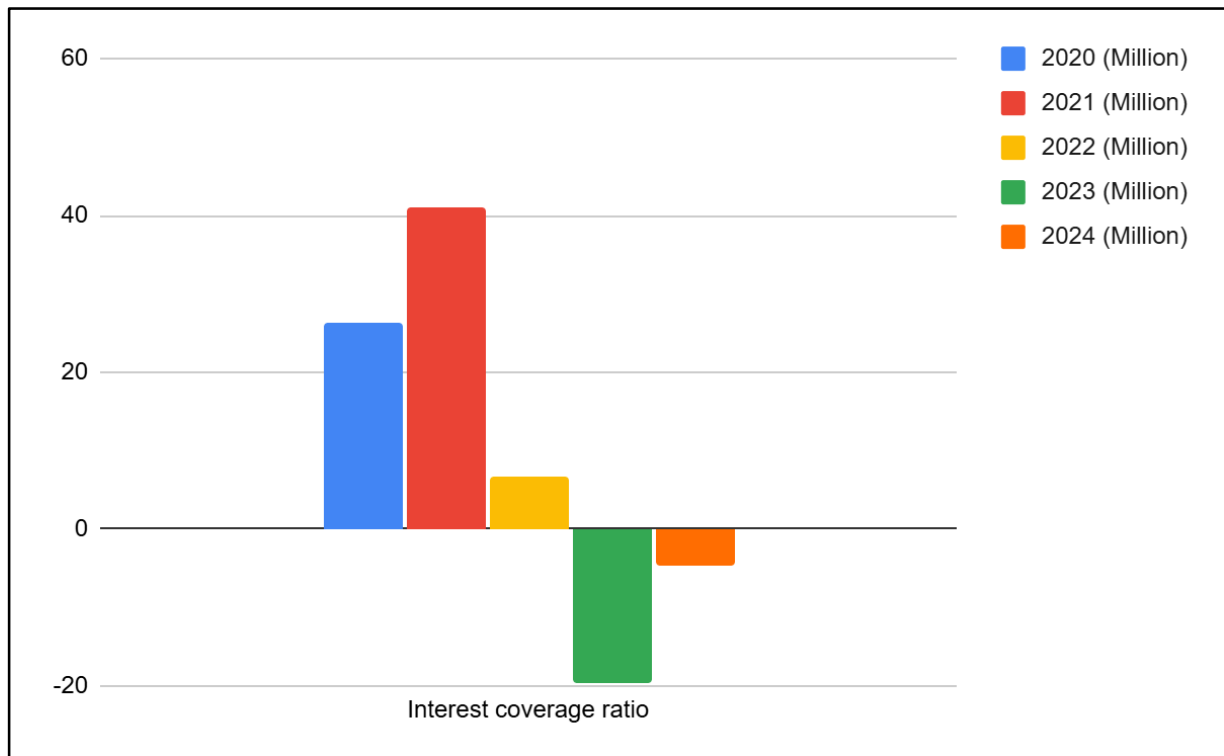


Figure 16: Interest coverage ratio

(Source: self-report, 2025)

The Interest Coverage Ratio indicates the ease with which a business can afford interest on its debt using its operating profits (Iotti *et al*, 2024). It fell to 26.1 times in 2020 to negative in 2023 and 2024, meaning that the firm will not be able to cover interest expenses using earnings.

i. Return on Equity (ROE)

Investment ratio					
Return on Equity					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Net Income	38,572	5,301	407	-98,238	-24,029
Shareholders' Equity	313301	275949	268406	178920	153105
Return on Equity = Net income / Shareholders' Equity	0.12	0.02	0.00	-0.55	-0.16

Figure 17: Return on Equity

(Source: self-report, 2025)

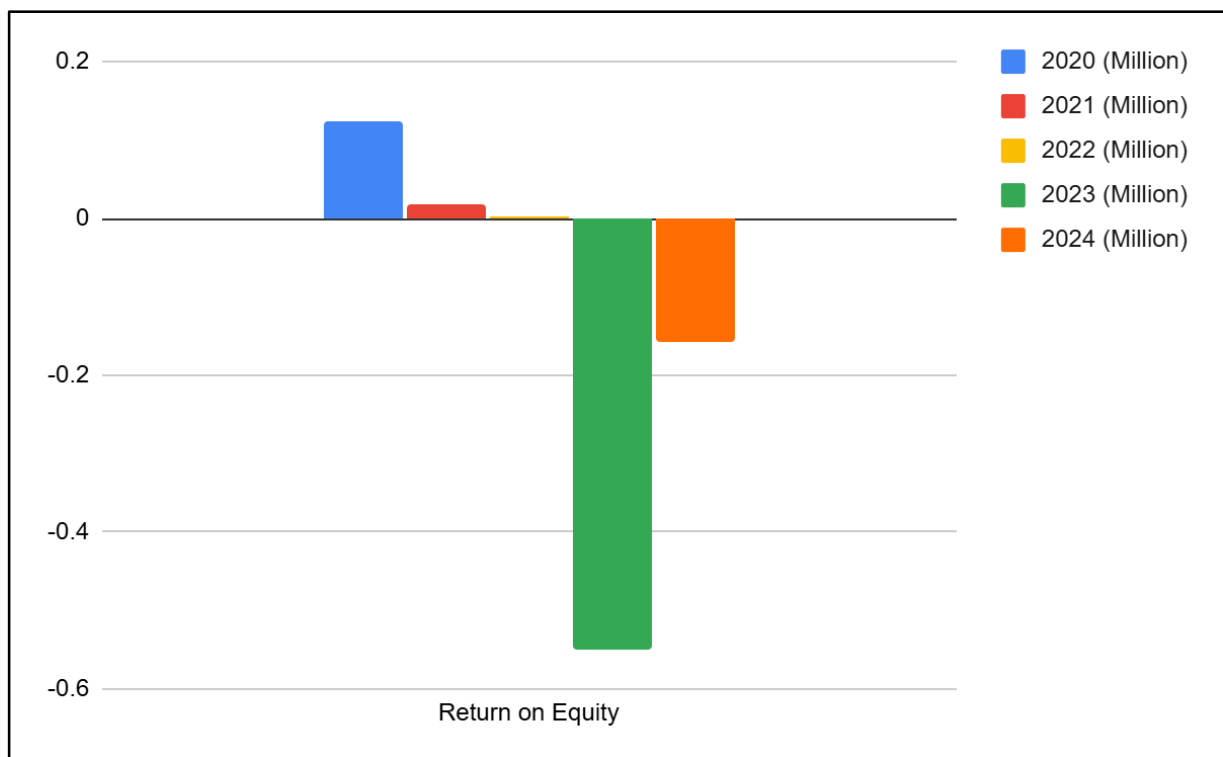


Figure 18: Return on Equity

(Source: self-report, 2025)

ROE is used to estimate the efficiency with which an organisation utilises the capital of shareholders to make profits (HBS, 2025). It has fallen to 12.3% in 2020 to -54.9% in

2023 and -15.7% in 2024, with a large amount of losses and equity value destruction. The strong negative ROE indicates that the shareholders' money is being washed away rather than being yielded.

j. Earnings per Share (EPS)

Investment ratio					
Earning per share					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Earning per share	2.78	0.39	0.03	-7.64	-1.85

Figure 19: Earnings per share

(Source: self-report, 2025)

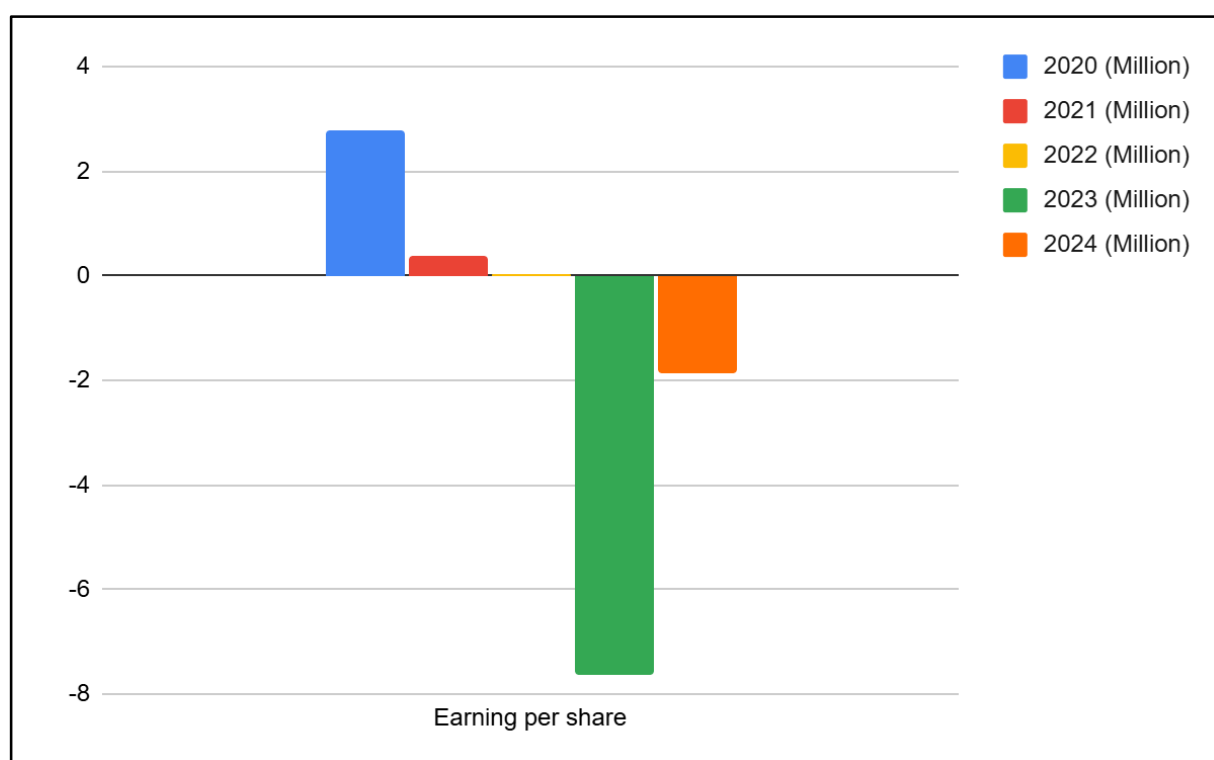


Figure 20: Earnings per share

(Source: self-report, 2025)

EPS is the amount of profit contributed to each outstanding share (Hidayat *et al*, 2021). It has declined significantly in 2020, from 2.78 to -7.64 in 2023 and 2024, respectively, with extremely poor earnings. The deterioration reflects the total losses of profits and potential impairments of assets. Continuous incurring negative EPS destroys shareholder confidence and market value.

k. Operating Cash Flow Margin

Cash flow ratio					
Operating Cash Flow Margin					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Millio n)
Operating Cash Flow	73,392	40,283	10,926	25,190	14,822
Net sales	614680	601602	54275 1	42045 7	394879
Operating Cash Flow Margin = (Operating Cash Flow /Net sales) * 100	11.94	6.70	2.01	5.99	3.75

Figure 21: Operating Cash Flow Margin

(Source: self-report, 2025)

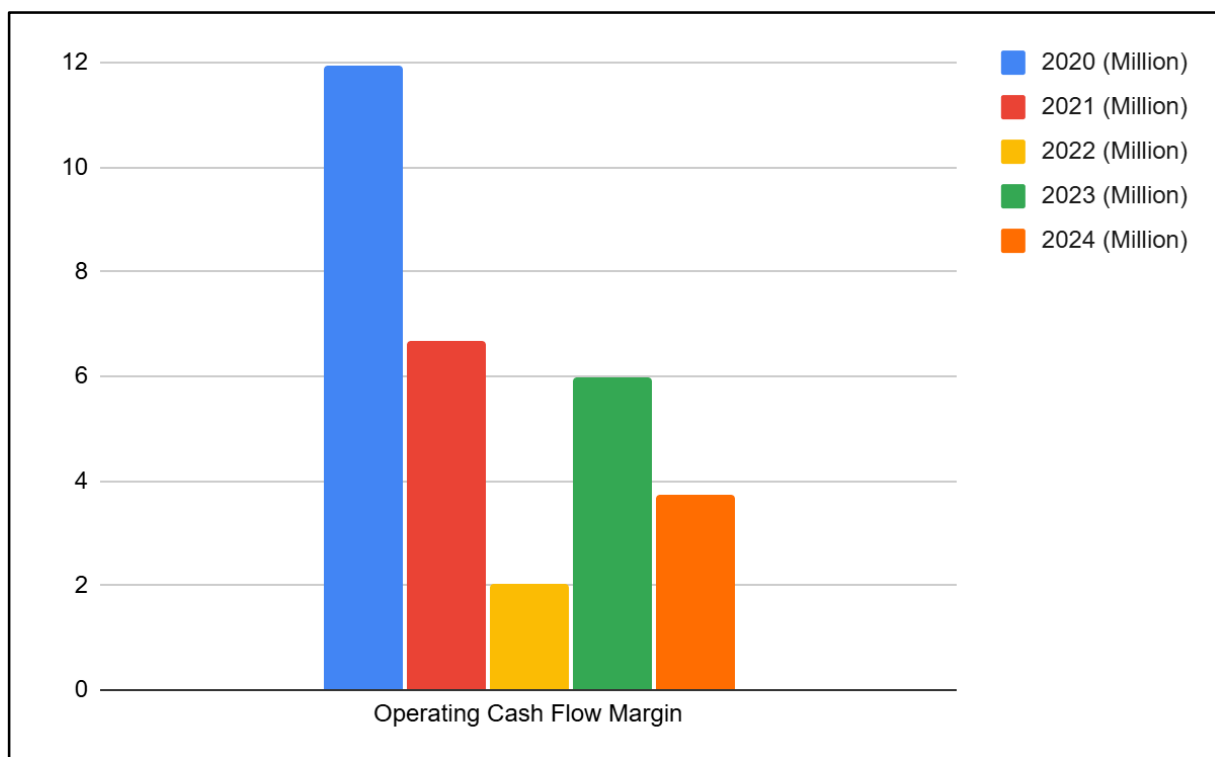


Figure 22: Operating Cash Flow Margin

(Source: self-report, 2025)

This ratio is the percentage of the cash generated through operations and the total sales (Corporatefinanceinstitute, 2025). It decreased in 2024, compared to 11.9 in 2020, and was 3.8; however, it is positive, which indicates that the company is still able to produce operating cash even when it loses money.

I.. Free Cash Flow Margin

Cash flow ratio					
Free Cash Flow Margin					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Operating Cash Flow	73,392	40,283	10,926	25,190	14,822
Capital expenditure	16862	12586	14006	8116	4572
Net sales	614680	601602	14006	420457	394879
Free Cash Flow Margin = ((Operating Cash Flow - Capital Expenditure) / Net sales)* 100	9.20	4.60	-21.99	4.06	2.60

Figure 23: Free Cash Flow Margin

(Source: self-report, 2025)

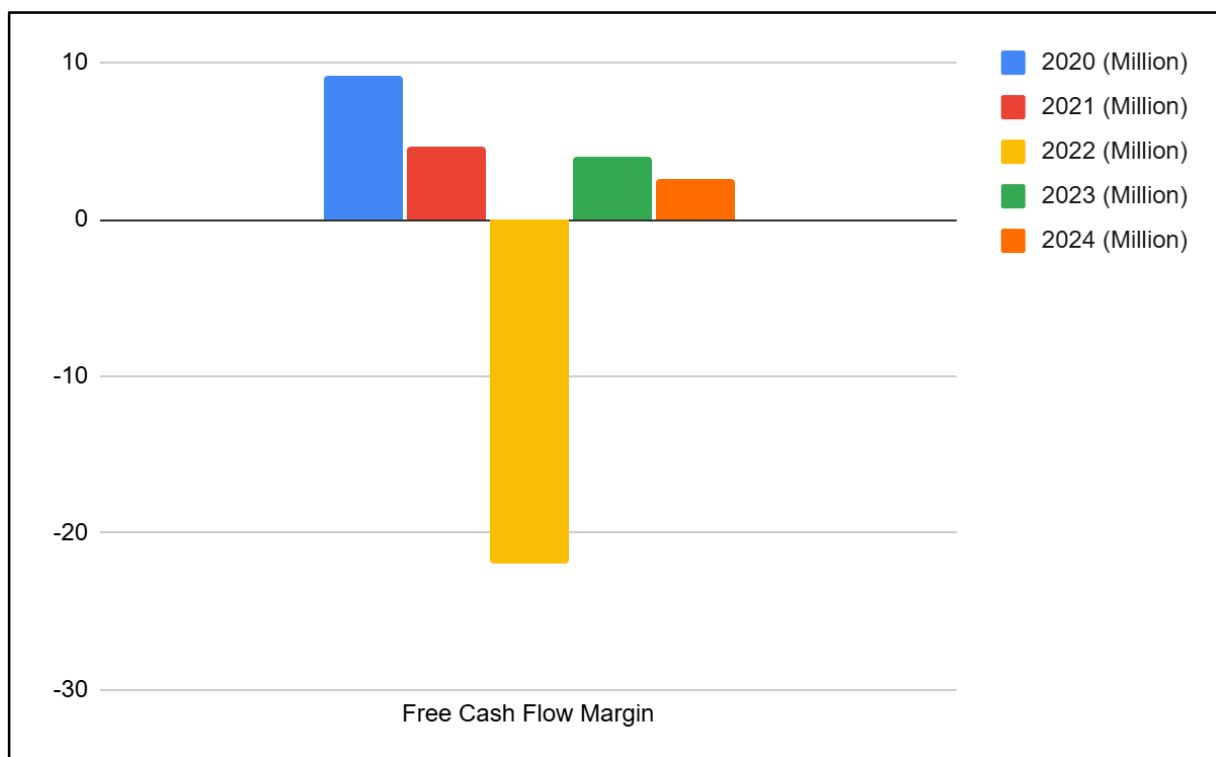


Figure 24: Free Cash Flow Margin

(Source: self-report, 2025)

Free Cash Flow Margin indicates the percentage of sales left after subtracting capital expenditures (Hersi, 2021). It dropped to 2.6% in 2024 and 2.2% in 2022, which indicates decreased financial flexibility. Positive but decreasing FCF indicates that cash is narrowing down following investments.

2.3 Identification of Trends, Strengths and Threats

Area	Trend	Interpretation
Revenue	Declined sales from £614,680 million (2020) to £394,879 million (2024)	A nearly 36% drop in sales demonstrates possible demand erosion and loss of global market share. Threat
Profitability	Net income has dropped from £38,572 million in profits to £24,029 million in losses between 2020 and 2024.	Showcases reducing profits resulting from reduced sales and increasing COGS. Threat

Operating Margin	Decline from 6.06% in 2020 to -3.87% in 2024	Reduction in sales efficiency and an alarming increase in costs, Threat
Liquidity Ratios	Current Ratio fluctuation between 1.82 and 1.53 as of 2024.	Although the short-term liquidity is preserved, it is slowly declining. Threat
Leverage	Debt-to-equity ratio grew from 0.63 in 2020 to 1.11 in 2024.	Shows increasing debt reliance of the firm as well as shrinking equity. This signals financial risk of the firm. Threat
Cash Flow	Within these 5 years, the operating cash flow fell from 11.94% to 3.75%.	Inefficient conversion of sales to cash. This shows reduced sales efficiency. Threat. £14,822 million in operating cash flow as of 2024 shows a stable performance of core operations. Strength
Asset Efficiency	Inventory turnover has slightly improved from 2.79 in 2022 to 3.54 in 2024.	The company has improved its inventory management after facing losses in 2022. Strength
Shareholder Return	Return-on-Equity fell from 12% to -16%	Consistent decline in share value. Threat

Table: Trends identified from the above Financial Statement and Ratio Analysis

(Source: Self-developed)

2.4 Corporate Failure Prediction Using Altman Z-Score Model

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5.$$

Using the latest data for 2024, the approximate values of this model when applied to General Electronics are:

- Working income/Total assets = 0.26.
- Retained earnings/ Total Assets = -0.07.
- EBIT/Total Assets = -0.05
- Market Value of Equity/Total Liabilities = 0.90
- Sales/Total Assets = 1.22

$$\text{Hence, } z = (1.2 \times 0.26) + (1.4 \times -0.07) + (3.3 \times -0.05) + (0.6 \times 0.90) + (1.0 \times 1.22) = 1.44.$$

3. Working Capital Management Analysis

3.1 Assessment of Cash Operating Cycle

The cash operating cycle (COC) is the duration of time required to turn inventory and receivables into cash, which demonstrates the efficiency of the working capital of the firm (Asman *et al*, 2022). In the case of General Electronics, there was an improvement in inventory turnover, where it stood at 2.79 in 2022 and 3.54 in 2024, which means that the company cleared inventory faster. Nonetheless, receivables turnover decreased to 3.46 to 4.83, indicating the slower speed of customer collection.

This amalgamation means that inasmuch as the stock handling has been enhanced, customer tardiness in payment is also increasing the cash conversion cycle. The company is also experiencing slower cash collections on operations, which is lowering its liquidity and putting pressure on financing. A longer COC is also leaving money, which could be invested or used to repay debt.

3.2 Recommended Strategies

In the case of General Electronics, the growing debt-to-equity ratio shows the necessity to improve liquidity through reforms in working capital utilisation rather than external borrowing. Herein, some of the recommended strategies are as follows:

- **Accelerating Conversion of Receivables to Cash:** The receivable turnover drops from 4.83 in 2022 to 3.46 in 2024, showcasing that currently the firm takes a longer time to collect payments for past sales. Bessonova *et al*. (2024) here added that excessive receivables limit the liquidity of the firms while reducing their profitability. Therefore, it can be recommended that accelerating the collection of cash from past sales through tightening of credit policies, offering incentives for early payments, as well as outsourcing of collection can help the firm improve liquidity. Ebben and Johnson (2011) further supported this, stating that by effectively managing cash conversion cycles, business organisations can further improve their returns and liquidity.

- Further Optimisation of Inventory:** While the inventory levels of General Electronics have reduced from £140,181 million (2022) to £79,355 million (2024), in 2024, the existing inventory of the firm still comprises nearly 33% of the company's current assets. This shows that there is a need to further improve inventory optimisation by clearing out inventory and adapting leaner practices like Just-in-Time (JIT) practices, implementation of demand forecasting tools and rationalising stock keeping units. This can also improve the overall freed-up liquid assets of the firm, thereby enhancing the liquidity of the firm. Hänninen (2024) supports this, stating that effective inventory management is crucial for businesses as it results in reduced investment in inventory, presence of newer stocks and improvement of liquidity. Moreover, Uduehe (2025) also supports this logic, showcasing the importance of inventory management in ensuring the financial health of a firm, as the effective optimisation of inventory management can improve the financial liquidity of the firm.

3.3 Comparing Short-Term and Long-Term Financing Options

There are differences between short-term financing and long-term financing based on their duration, cost and intention. Short-term financing sources are taken in the form of credit lines, trade payables, and short-term loans, which are typically to be paid in a year (Corporatefinanceinstitute, 2024). The long-term financing will involve bonds, debentures and equity, which are financed on assets or expansion and repaid over several years (Gupta and Chandra, 2024). In the case of General Electronics, there is an increasing dependence on short-term credit as indicated by the balance sheet, where in 2020, the dependence was at 20,000 million, but in 2024, there was an increase to 36,960 million. This is an indication of reliance on short-term borrowing to cover liquidity requirements. Short-term financing is less expensive and flexible, but may result in the risk of liquidity in case of low sales. The current ratio and quick ratio of the company are also declining, indicating the decreasing ability to fulfil the short-term obligations under no pressure. Conversely, long-term debt, such as leases and deferred liabilities, has been kept constant. This indicates that there is less reliance on long-term financing, which could be to prevent the increased interest and long-term repayment obligations. Nevertheless,

long-term financing is stable and enables the firm to invest in productive assets without the immediate repayment need. The debt-to-equity ratio has increased, and now the firm will have 1.11 in 2024, which is higher than 0.63 in 2020. The company has to balance both sources of finance. Too much short-term debt may put ministership on their liquidity, whereas too much long-term debt may compromise financial flexibility and raise interest liabilities.

General Electronics must concentrate on internal funding by enhancing working capital management in order to balance it. Increased speed of the receivables collection process and additional optimisation of the inventory would decrease reliance on expensive external sources. In cases where outside funding is required, a combination of long-term loans and retained earnings will help alleviate the pressure. On the whole, General Electronics needs to have a balanced financing strategy in order to maintain the financial stability and promote the growth. The company must overcome the high short-term borrowing and realign the company borrowings with asset maturity. Capital investments should be financed over a long term, whereas seasonal working capital requirements should be financed over a short period.

4. Strategic Financial Restructuring Plan

4.1 Recommended Options for Financial Restructuring

Strategic Option 1: Divestiture of Underperforming Non-Core Assets

Depecik *et al.* (2014) explained in their research that the divestiture of underperforming non-core assets of a firm can be value-enhancing for the firm. In this regard, while the asset base of General Electronics even in 2024 stands at £323,354 million, its return-on-assets (ROA) has drastically reduced from 7.6% in 2020 to -7.4% in 2024. This, in turn, shows that as of 2024, the firm is preserving assets which does not generate enough returns and instead reduce the profitability of the firm. On the other hand, divestment of

these assets will increase liquid cash reserves of the firm, thereby enabling the firm to invest in an acquisition of assets which can generate better returns in the future. Thus, divestiture of underperforming non-core assets is an appropriate strategic option in the case of General Electronics.

Strategic Option 2: Equity Injection through Rights Issue

Burkart and Zhong (2023) explained in their research that loss-making firms often choose to gain equity by issuing rights to the current shareholders, as these shareholders often have a higher incentive to keep the firm alive. Therefore, considering that the firm's shareholder value has reached -16% as of 2024, the shareholders at General Electronics will be more inclined to provide equity injection to the firm, to gain ROE in exchange for a rights issue. Burkart and Zhong (2023), however, mention that for firms, raising equity through the issuance of rights is often financing as a last resort. Although for General Electronics, the current situation makes Equity Injection an appropriate strategic option, as it is a last resort, it is not more appropriate than the previously discussed option of divestiture.

Thus, the most appropriate strategic option for the strategic financial restructuring of General Electronics is the Divestiture of Underperforming Non-Core assets.

4.2 Impact on Debt Structure, Shareholder Value and Operational Flexibility

Debt Structure: Feldman (2021) found in their research that divestitures are used by firms to combat internal issues like the underperformance of businesses or business units. This aligns with the case of General Electronics. In this regard, potentially the divestiture of under-performing non-core assets can affect the debt structure of the firm, by substantially improving the liquidity of the firm, which enables the firm to repay its debts, thereby reducing the debt-to-equity ratio, which as of now increased from 0.63 in 2020 to 1.11 in 2024. Naomi (2023) explained in their research that interests on debts are considered actual expenses of a firm, while the timely repayment of the debts can

increase the creditworthiness of the firm. In this regard, the divestiture through the increased liquidity can reduce the interest-based expenses of the firm, while the repayment of the debts can also improve the creditworthiness of the firm, making it eligible for low-cost borrowing of finances in the future. This shows that the use of Divestiture of under-performing non-core assets can substantially impact the debt structure of General Electronics.

Shareholder Value: Osiichuk and Wnuczak (2021) explained in their study that without strict shareholder control, non-operating assets in a firm can cause substantial destruction of the potential value of the firm, as these assets and related activities deprive the businesses of their agility, making the overall organisational structure unnecessarily opaque. In relation to General Electronics, the under-performing non-core assets are also affecting the agility and profitability of the firm by resulting in the drop of ROA, which in turn is resulting in the destruction of shareholder value. Therefore, the divestiture of such assets can not only increase the liquid cash reserves of the firm, but can also reduce the debt-to-equity ratio of the firm, thereby reducing leverage, lowering the cost of capital and increasing the value of shareholder equity. Thus, Divestiture of under-performing non-core assets can substantially improve the shareholder value at General Electronics.

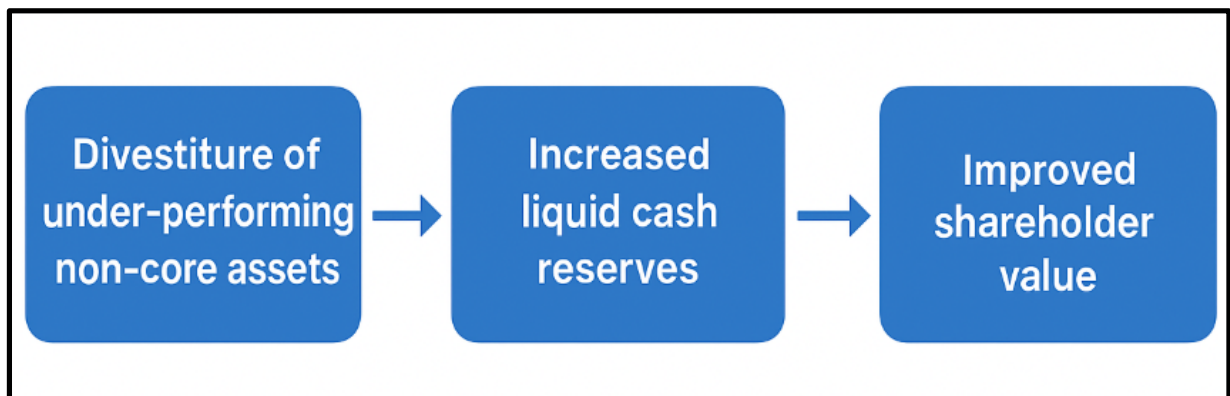


Figure 25: Impact of Divestiture on Shareholder Value

(Source: Self-Developed)

Operational Flexibility: In terms of Operational Flexibility of General Electronics, the divestiture of non-core assets enables the firm to streamline its core business activities,

providing the firm with the agility to concentrate its expertise and resources towards improving the core activities. Moreover, at General Electronics, this can also improve decision-making processes by simplifying the corporate structure of the firm. Osiichuk and Wnuczak (2021) confirmed that non-operating assets can make the corporate structure of a firm opaque. In this regard, it can be seen that the Operational Flexibility of General Electronics can be substantially impacted by the divestiture of non-core underperforming assets. Supporting this, OSAIGBOVO and AKHIMIEN (2025) in their studies stated that the strategic divestiture of non-performing assets can lead to operational efficiency of the firm, thereby enhancing financial returns of the firm.

4.3 Related International and Ethical Considerations

In relation to the implementation of the Divestiture of underperforming non-core assets at General Electronics as a financial restructuring strategy for the firm, the firm needs to consider some of the international and ethical aspects, like CSR, Taxation, Inflation and Currency Risks.

Tax Liabilities: For instance, the capital gains from the sales of assets can lead to different tax liabilities in different international markets. Therefore, General Electronics need to properly structure the asset sales in order to avoid issues like non-compliance with OECD transfer pricing standards as well as double taxation.

CSR: Furthermore, in terms of CSR, the aftermath of divestiture must be ethically regulated by General Electronics through green investments, responsible layoffs, as well as transparent communication and reporting of the entire process. Malapur (2024), in this regard, further added that transparent progress reports and responsible layoff of employees are essential for effective integration of CSR in corporate restructuring efforts of firms during divestiture of the firm's assets.

Inflationary Risk: In economies with high inflation, the valuation of the assets to be sold can face rapid fluctuations, which in turn will require General Electronics to engage in transparent reappraisals.

Currency Risk: Moreover, asset transactions by General Electronics in volatile foreign markets can lead to a reduction in sales proceeds after conversion to the reporting currency of the firm. In this regard, the firm needs to prepare forward contracts to prevent such losses due to currency devaluation. Ilia *et al.* (2019) support this, stating that currency risk is a major risk for the devaluation of equity capital in a company.

5. Investment Appraisal and Capital Budgeting

5.1 Evaluation of Three Proposed Investment Projects

NPV

Definition

NPV is calculated as the difference between the current value of the cash inflows of a project and the investment. It is used to calculate the total value the project has to the firm in current money (Net present value, 2024). When NPV is positive, this implies that the project is profitable, and when it is negative, then it implies that the project must not be undertaken.

Project A

Project A			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£10,000,000	0.909	£9,090,000
2021	£12,000,000	0.826	£9,912,000
2022	£14,000,000	0.751	£10,514,000
2023	£10,000,000	0.683	£6,830,000
2024	£8,000,000	0.620	£4,960,000
Owners Capital	£40,000,000		
Total PV	£41,306,000		
Net Present Value	£1,306,000		

Figure 26: NPV for Project A

(Source: self-report, 2025)

Project A has a starting capital of 40 million pounds and has a positive cash flow in five years. The total present value of inflows is 41.31 million, the net present value (NPV) of which is 1.31 million at a 10% discount rate. This implies that the project will bring a marginal value and the project is economical. The returns are moderate with a stable payback period. Project A will be acceptable as it will increase the shareholder value with a profitability index of above 1, but its profitability is lower compared with Project C and is a bit limited by the capital efficiency.

Project B

Project B			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£6,000,000	0.909	£5,454,000
2021	£6,000,000	0.826	£4,956,000
2022	£6,000,000	0.751	£4,506,000
2023	£6,000,000	0.683	£4,098,000
2024	£6,000,000	0.620	£3,720,000
Owners Capital (d)	£30,000,000		
Total PV	£22,734,000		
Net Present Value (c-d)	-£7,266,000		

Figure 27: NPV for Project B

(Source: self-report, 2025)

Project B is a 30m investment, but with an annual inflow of 6m. Its present value is 22.73 million, and this makes its NPV have a negative value of 7.27 million at a 10% discount rate. This implies that the project does not pay off its cost of capital, and it annihilates value. The low and low cash flows depict an insufficient growth potential and low returns. Profitability index is less than 1, which proves that it is not financially viable. In sum, Project B is not to be accepted because it does not provide the appropriate returns and does not correspond to the investment performance criteria used by the company.

Project C

Project C			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£5,000,000	0.909	£4,545,000
2021	£10,000,000	0.826	£8,260,000
2022	£20,000,000	0.751	£15,020,000
2023	£25,000,000	0.683	£17,075,000
2024	£15,000,000	0.620	£9,300,000
Owners Capital (d)	£50,000,000		
Total PV	£54,200,000		
Net Present Value (c-d)	£4,200,000		

Figure 28: NPV for Project C

(Source: self-report, 2025)

Project C requires a large capital investment of 50 million pounds and also has a high and growing inflow over an investment period of five years. The total present value of the inflows is 54.2 million at a discount of 10%, which gives an NPV of 4.2 million. This favourable NPV indicates that Project C brings the greatest value of the three. The cash flows rise considerably between years 1 and 4, indicating high potential for profitability. Although the project will have a high initial cost, it will yield better returns, and the profitability index will be more than 1. It must be given priority to invest in it since it has recorded better financial performance, and it uses its capital effectively.

IRR

Definition

The discount rate is the rate at which the net present value of a project is considered to be zero. It is the estimated rate of return of the project. In case the IRR is greater than the required rate of the company, it means that the project is economically sustainable and should be accepted (Fregonara and Ferrando, 2023).

Project A

Project A	
Year	Net cash flow
Owners Capital	-£40,000,000
2020	£10,000,000
2021	£12,000,000
2022	£14,000,000
2023	£10,000,000
2024	£8,000,000
IRR	6%

Figure 29: IRR for Project A

(Source: self-report, 2025)

Project A would cost an initial investment of £40 million and would have rising cash inflows over a period of 5 years will reaching a high of 14 million cash inflows on the third year. The cost of capital is assumed to be 10% and the internal rate of return (IRR) is 6% which is less than the assumed cost of capital, showing that the project would not yield the required rate at the firm. Despite the steady inflows generated by the project, the project does not provide sufficient profitability. Hence, Project A is weak financially and should not be accepted unless it has been selected based on strategic or non-financial reasons. It has low value creation and average risk in investments.

Project B

Project B	
Year	Net cash flow
Owners Capital	-£30,000,000
2020	£6,000,000
2021	£6,000,000
2022	£6,000,000
2023	£6,000,000
2024	£6,000,000
IRR	-8%

Figure 30: IRR for Project B

(Source: self-report, 2025)

Project B is a project that requires a capital investment of 30 million pounds, and the annual inflows are equivalent, that is, 6 million per year and over a period of five years. The IRR calculated is -8, and this is a clear indication that the project is not profitable and cannot justify its initial cost. The negative value of the return indicates that total inflows are not able to finance the initial outlay even without discounting. This implies that it has a high financial risk and low efficiency in the use of capital. Since the project is a value destruction and does not present potential growth in future, it should immediately be rejected under any realistic cost of capital assumption.

Project C

Project C	
Year	Net cash flow
Owners Capital	-£50,000,000
2020	£5,000,000
2021	£10,000,000
2022	£20,000,000
2023	£25,000,000
2024	£15,000,000
IRR	6%

Figure 31: IRR for Project C

(Source: self-report, 2025)

Project C is an investment of £50 million with increasing cash flows to a peak of up to £25 million during year four, then slightly decreasing in the last year. The IRR is 6, and this, as with Project A, is less than the 10% cost of capital, implying low profitability. The project, however, presents higher cumulative returns and cash flow growth, which is better in the long run. Nonetheless, the investment is still not up to the investment standards. Project C would only be an option in case there are strategic or non-financial advantages, but strictly speaking, it is not a good investment undertaking.

Profitability Index

Definition

The profitability index ratio is the present value of the future cash inflows to the initial investment. It displays the value created per pound invested (Profitability index, 2024). When PI is greater than 1, then this is an indication that the project will create value.

Project A

Project A			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£10,000,000	0.909	£9,090,000
2021	£12,000,000	0.826	£9,912,000
2022	£14,000,000	0.751	£10,514,000
2023	£10,000,000	0.683	£6,830,000
2024	£8,000,000	0.620	£4,960,000
Owners Capital	£40,000,000		
Initial Investment	£41,306,000		
Profitability Index	£1		

Figure 32: Profitability Index for Project A

(Source: self-report, 2025)

Project A means an initial investment of 40 million, an annual cash inflow of between 8 million and 14million over a period of five years. The overall present value of inflows will be £41.31 million at a discount rate of 10% giving an index of profitability (PI) of about 1.03. This means that the project is already beyond the break-even level and is a source of marginal value. Thus, Project A is a financially decent but not the most profitable opportunity in comparison with others.

Project B

Project B			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£6,000,000	0.909	£5,454,000
2021	£6,000,000	0.826	£4,956,000
2022	£6,000,000	0.751	£4,506,000
2023	£6,000,000	0.683	£4,098,000
2024	£6,000,000	0.620	£3,720,000
Owners Capital	£30,000,000		
Initial Investment	£22,734,000		
Profitability Index	£1		

Figure 33: Profitability Index for Project B

(Source: self-report, 2025)

Project B needs an initial investment of £30 million, with inflows of the same value amounting to 6 million annually over a period of five years. These inflows will yield a profitability index of approximately 0.76 or less than 1 when the total present value of these inflows is calculated at a 10% discount rate of 22.73 million.

Project C

Project C			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£5,000,000	0.909	£4,545,000
2021	£10,000,000	0.826	£8,260,000
2022	£20,000,000	0.751	£15,020,000
2023	£25,000,000	0.683	£17,075,000
2024	£15,000,000	0.620	£9,300,000
Owners Capital	£50,000,000		
Initial Investment	£54,200,000		
Profitability Index	£1		

Figure 34: Profitability Index for Project C

(Source: self-report, 2025)

Project C will require more investment of 50 million pounds but will yield more huge inflows that will increase gradually with time, reaching 25 million pounds in the fourth year. The present value under a discount rate of 10% of the inflows is equal to the discounted amount of the inflows, and is equal to 54.2 million pounds, which amounts to the profitability index of about 1.8.

Payback period

Project A

Payback period - Project A	
Particulars	Amount
Initial Capital	40
2020	£10
2021	£12
2022	£14
2023	10
2024	8
PBP in the year	3
Unrecovered cash	£4
Recovery period cash flow	£10
PBP (in months)	4.80
PBP	3 years and 4.80months

Figure 35: Payback period for Project A

(Source: self-report, 2025)

Project B

Payback period - Project B	
Particulars	Amount
Initial Capital	30
2020	£6
2021	£6
2022	£6
2023	£6
2024	£6
PBP in the year	5
Unrecovered cash	£0
Recovery period cash flow	£0
PBP (in months)	£0
PBP	5 years

Figure 36: Payback period for Project B

(Source: self-report, 2025)

Project C

Payback period - Project C	
Particulars	Amount
Initial Capital	50
2020	£5
2021	£10
2022	£20
2023	25
2024	15
PBP in the year	3
Unrecovered cash	£15
Recovery period cash flow	£25
PBP (in months)	7.20
PBP (in years)	3 years and 7.20 months

Figure 37: Payback period for Project C
(Source: self-report, 2025)

ARR

Project A

ARR - Project A	
Year	Net cash flow
Owners Capital	£40
2020	£10
2021	£12
2022	£14
2023	£10
2024	£8
Total inflows over five years	54
Average annual inflow	10.8
ARR	27%

Figure 38: ARR for Project A
(Source: self-report, 2025)

Project B

ARR - Project B	
Year	Net cash flow
Owners Capital	£30
2020	£6
2021	£6
2022	£6
2023	£6
2024	£6
Total inflows over five years	30
Average annual inflow	6
ARR	20.00%

Figure 39: ARR for Project B

(Source: self-report, 2025)

Project C

ARR - Project C	
Year	Net cash flow
Owners Capital	£50
2020	£5
2021	£10
2022	£20
2023	£25
2024	£15
Total inflows over five years	75.00
Average annual inflow	15.00
ARR	30%

Figure 40: ARR for Project C

(Source: self-report, 2025)

5.2 Final Investment Recommendation and Justification

According to the investment appraisal analysis conducted on the basis of the NPV, IRR, and the Profitability Index, Project C will be the most economical one and must be chosen

to be invested in. Project C will offer the maximum total present value of 542 million and hence give a positive NPV of 4.2 million with a profitability index of 1.08. This implies that it generates more shareholder value and a high payoff on a pound spent. The high capital requirement is still offset by the growing cash inflows and its promising growth prospects that will make its investment worth the high initial capital requirement of 50 million. Project A has an NPV of £1.31 million and PI of 1.03, which is marginally profitable with less value than project C. Project B has a negative NPV and PI of below 1, thus not profitable. Project C should be given priority in a setting that is characterised by capital rationing, where only 60 million can be invested since it yields maximum returns. Project B would not be accepted, and Project A may be considered, provided there is extra money. In terms of risk, Project C has a great performance and stronger resilience, as illustrated by increasing cash flows that make it the best option to increase profitability.

6. Conclusion

Therefore, in conclusion, the financial analysis of the statements of General Electronics showcases that the firm is currently a loss-making company with negative shareholder values and a growing debt-to-equity ratio. Herein, it has been identified that the firm can improve its liquidity by reforming working capital and accelerating the conversion of receivables to cash while engaging in inventory optimisation. Moreover, the firm also needs financial restructuring through the divestiture of underperforming non-core assets, which positively influences the firm's debt structure, operational flexibility and shareholder value and can improve the overall financial performance of General Electronics.

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8. Appendices

Ratio analysis:

Table:

Profitability ratio

Net profit margin

Profitability ratio					
Net profit margin					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Net income	38578	5301	407	-98238	-24029
Net sales	614680	601602	542751	42045 7	394879
Net profit margin = (Net income / Net sales) * 100	6.28	0.88	0.07	-23.36	-6.09

Table 1: Net profit margin

(Source: self-report, 2025)

Operating profit margin

Profitability ratio					
Operating profit margin					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Operating profit	37267	23253	14548	-85301	-15297
Net sales	614680	601602	542751	42045 7	394879
Operating profit margin = (Operating profit / Net sales) * 100	6.06	3.87	2.68	-20.29	-3.87

Table 2: Operating profit margin

(Source: self-report, 2025)

Liquidity ratio

Current ratio

Liquidity ratio
Current ratio

Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Current asset	326,843	337,146	338,040	258,851	242,494
Current liability	179,510	216,787	216,473	161,148	158,291
Current ratio = (Current asset / Current Liability)	1.82	1.56	1.56	1.61	1.53

Table 3: Current ratio

(Source: self-report, 2025)

Quick ratio

Liquidity ratio					
Quick ratio					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Current asset	326,843	337,146	338,040	258,851	242,494
Current liability	179,510	216,787	216,473	161,148	158,291
Inventory	120430	134469	140181	88273	79355
Quick ratio = (Current assets - Inventory) / Current Liabilities	1.15	0.93	0.91	1.06	1.03

Table 4: Quick ratio

(Source: self-report, 2025)

Efficiency ratio

Inventory turnover ratio

Efficiency ratio					
Inventory turnover ratio					
Particulars	2020 (Million)	2021 (Million)	2022 (Million)	2023 (Million)	2024 (Million)
Cost of sales	438,424	428,586	390,459	322,897	280,885
Inventory	120430	134469	140181	88273	79355

Inventory turnover ratio = Cost of sales / Inventory	3.64	3.19	2.79	3.66	3.54
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Table 5: Inventory turnover ratio

(Source: self-report, 2025)

Receivable turnover ratio

Efficiency ratio					
Receivable turnover ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Net sales	614,680	601,602	542,751	420,457	394,879
Account receivable	129433	129215	112346	112596	114182
Receivable turnover ratio = Net sales / Account receivable	4.75	4.66	4.83	3.73	3.46

Table 6: Receivable turnover ratio

(Source: self-report, 2025)

Gearing ratio

Debt to equity ratio

Gearing ratio					
Debt to equity ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Total Liabilities	196,989	234,399	235,757	176,952	170,249
Shareholders Equity	313301	275949	268406	178920	153105
Debt to equity ratio = Total Liabilities / Shareholders Equity	0.63	0.85	0.88	0.99	1.11

Table 7: Debt-to-equity ratio

(Source: self-report, 2025)

Interest coverage ratio

Gearing ratio

Interest coverage ratio					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Operating income	37,267	23,253	14,548	85,301	-15,297
Interest expense	1422	566	2200	4332	3361
Interest coverage ratio = Operating income / Interest expense	26.21	41.08	6.61	-19.69	-4.55

Table 8: Interest coverage ratio

(Source: self-report, 2025)

Investment ratio

Return on Equity

Investment ratio					
Return on Equity					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Net Income	38,572	5,301	407	98,238	-24,029
Shareholders' Equity	313301	275949	268406	17892 0	153105
Return on Equity = Net income / Shareholders' Equity	0.12	0.02	0.00	-0.55	-0.16

Table 9: Return on Equity

(Source: self-report, 2025)

Earnings per share

Investment ratio					
Earning per share					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Earning per share	2.78	0.39	0.03	-7.64	-1.85

Table 10: Earnings per share

(Source: self-report, 2025)

Cash flow ratio

Operating Cash Flow Margin

Cash flow ratio					
Operating Cash Flow Margin					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Operating Cash Flow	73,392	40,283	10,926	25,190	14,822
Net sales	614680	601602	542751	42045 7	394879
Operating Cash Flow Margin = (Operating Cash Flow /Net sales) * 100	11.94	6.70	2.01	5.99	3.75

Table 11: Operating Cash Flow Margin

(Source: self-report, 2025)

Free Cash Flow Margin

Cash flow ratio					
Free Cash Flow Margin					
Particulars	2020 (Millio n)	2021 (Millio n)	2022 (Millio n)	2023 (Millio n)	2024 (Million)
Operating Cash Flow	73,392	40,283	10,926	25,190	14,822
Capital expenditure	16862	12586	14006	8116	4572
Net sales	614680	601602	14006	42045 7	394879
Free Cash Flow Margin = ((Operating Cash Flow - Capital Expenditure) / Net sales)* 100	9.20	4.60	-21.99	4.06	2.60

Table 12: Free Cash Flow Margin

(Source: self-report, 2025)

Investment analysis

Net Present Value

Project A

Project A			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£10,000,000	0.909	£9,090,000

2021	£12,000,000	0.826	£9,912,000
2022	£14,000,000	0.751	£10,514,000
2023	£10,000,000	0.683	£6,830,000
2024	£8,000,000	0.620	£4,960,000
Owners Capital	£40,000,000		
Total PV	£41,306,000		
Net Present Value	£1,306,000		

Table 14: NPV for Project A

(Source: self-report, 2025)

Project B

Project B			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£6,000,000	0.909	£5,454,000
2021	£6,000,000	0.826	£4,956,000
2022	£6,000,000	0.751	£4,506,000
2023	£6,000,000	0.683	£4,098,000
2024	£6,000,000	0.620	£3,720,000
Owners Capital (d)	£30,000,000		
Total PV	£22,734,000		
Net Present Value (c-d)	-£7,266,000		

Table 15: NPV for Project B

(Source: self-report, 2025)

Project C

Project C			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£5,000,000	0.909	£4,545,000

2021	£10,000,000	0.826	£8,260,000
2022	£20,000,000	0.751	£15,020,000
2023	£25,000,000	0.683	£17,075,000
2024	£15,000,000	0.620	£9,300,000
Owners Capital (d)	£50,000,000		
Total PV	£54,200,000		
Net Present Value (c-d)	£4,200,000		

Table 16: NPV for Project C

(Source: self-report, 2025)

Internal Rate of Return

Project A

Project A	
Year	Net cash flow
Owners Capital	-£40,000,000
2020	£10,000,000
2021	£12,000,000
2022	£14,000,000
2023	£10,000,000
2024	£8,000,000
IRR	6%

Table 17: IRR for Project A

(Source: self-report, 2025)

Project B

Project B	
Year	Net cash flow
Owners Capital	-£30,000,000
2020	£6,000,000
2021	£6,000,000
2022	£6,000,000

2023	£6,000,000
2024	£6,000,000
IRR	-8%

Table 18: IRR for Project B

(Source: self-report, 2025)

Project C

Project C	
Year	Net cash flow
Owners Capital	-£50,000,000
2020	£5,000,000
2021	£10,000,000
2022	£20,000,000
2023	£25,000,000
2024	£15,000,000
IRR	6%

Table 19: IRR for Project C

(Source: self-report, 2025)

Profitability Index

Project A

Project A			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£10,000,000	0.909	£9,090,000
2021	£12,000,000	0.826	£9,912,000
2022	£14,000,000	0.751	£10,514,000
2023	£10,000,000	0.683	£6,830,000
2024	£8,000,000	0.620	£4,960,000
Owners Capital	£40,000,000		
Initial Investment	£41,306,000		

Profitability Index	£1
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Table 20: Profitability Index for Project A

(Source: self-report, 2025)

Project B

Project B			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£6,000,000	0.909	£5,454,000
2021	£6,000,000	0.826	£4,956,000
2022	£6,000,000	0.751	£4,506,000
2023	£6,000,000	0.683	£4,098,000
2024	£6,000,000	0.620	£3,720,000
Owners Capital	£30,000,000		
Initial Investment	£22,734,000		
Profitability Index	£1		

Table 21: Profitability Index for Project B

(Source: self-report, 2025)

Project C

Project C			
Year	Net cash flow	10%. discounting rate	Present Value
2020	£5,000,000	0.909	£4,545,000
2021	£10,000,000	0.826	£8,260,000
2022	£20,000,000	0.751	£15,020,000
2023	£25,000,000	0.683	£17,075,000
2024	£15,000,000	0.620	£9,300,000
Owners Capital	£50,000,000		
Initial Investment	£54,200,000		

Profitability Index	£1
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Table 22: Profitability Index for Project C

(Source: self-report, 2025)

Payback period

Project A

Payback period - Project A	
Particulars	Amount
Initial Capital	40
2020	£10
2021	£12
2022	£14
2023	10
2024	8
PBP in the year	3
Unrecovered cash	£4
Recovery period cash flow	£10
PBP (in months)	4.80
PBP	3 years and 4.80months

Table 23: Payback period for Project A

(Source: self-report, 2025)

Project B

Payback period - Project B	
Particulars	Amount
Initial Capital	30
2020	£6
2021	£6
2022	£6
2023	£6
2024	£6
PBP in the year	5
Unrecovered cash	£0
Recovery period cash flow	£0

PBP (in months)	£0
PBP	5 years

Table 24: Payback period for Project B

(Source: self-report, 2025)

Project C

Payback period - Project C	
Particulars	Amount
Initial Capital	50
2020	£5
2021	£10
2022	£20
2023	25
2024	15
PBP in the year	3
Unrecovered cash	£15
Recovery period cash flow	£25
PBP (in months)	7.20
PBP (in years)	3 years and 7.20 months

Table 25: Payback period for Project C

(Source: self-report, 2025)

ARR

Project A

ARR - Project A	
Year	Net cash flow
Owners Capital	£40
2020	£10
2021	£12
2022	£14
2023	£10
2024	£8
Total inflows over five years	54
Average annual inflow	10.8
ARR	27%

Table 25: ARR for Project A

(Source: self-report, 2025)

Project B

ARR - Project B	
Year	Net cash flow
Owners Capital	£30
2020	£6
2021	£6
2022	£6
2023	£6
2024	£6
Total inflows over five years	30
Average annual inflow	6
ARR	20.00%

Table 26: ARR for Project B

(Source: self-report, 2025)

Project C

ARR - Project C	
Year	Net cash flow
Owners Capital	£50
2020	£5
2021	£10
2022	£20
2023	£25
2024	£15
Total inflows over five years	75.00
Average annual inflow	15.00
ARR	30%

Table 27: ARR for Project C

(Source: self-report, 2025)