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Table of contents

1. Financial Health Check	5
Analysis of the firm's financial statements	5
Analysis of Ratio of General Electronics	5
Profitability Ratios	5
Liquidity Ratios.....	6
Efficiency Ratios.....	7
Gearing Ratio	7
Investment Ratio	8
Cash Flow	8
Analysis of trends, strengths and threats	9
Trends	9
Strengths	9
Threats	10
Application of Corporate Failure Prediction Models (Altman Z-Score)	10
2. Working Capital Management Analysis	11
Cash Operating Cycle.....	11
Recommend strategies to improve liquidity through working capital reforms	13
Comparing short-term vs long-term financing options	13
3. Strategic Financial Restructuring Plan	14
Recommending financial restructuring options	14

Divestiture or asserts sales	14
Merger or partnership plan	15
Equity injection	15
Evaluating the impact.....	16
Effects on shareholder value	16
Impact on debt structure	16
Effects on operational flexibility.....	17
International and ethical considerations	17
Taxation Implications	17
Currency Risk	18
Inflation.....	18
CSR Considerations	18
4. Investment Appraisal and Capital Budgeting	19
Analysis of three investment projects	19
PBP	19
ARR.....	19
NPV	20
PI	20
IRR	21
Final Investment Recommendation.....	21
Justification and Risk Analysis	22

Analysing company's financial performance	22
Managing the project risk	23
References	25
Appendices	29
Appendix 1: Financial health check	29
Appendix 2: Ratio Analysis.....	30
2.1 Profitability	30
2.2 Liquidity.....	33
2.3: Efficiency	35
2.4: Gearing.....	37
2.5: Investment.....	38
2.6: Cash Flow	39
Appendix 3: Altman Z Score Workings.....	40
Appendix 4: Investment Appraisal Techniques	42
4.1 Payback Period	42
4.2 ARR	42
4.3 NPV	42
4.4 PI.....	43
4.5 IRR.....	44

1. Financial Health Check

Analysis of the firm's financial statements

It is evident as per the analysis of the financial statements in Appendix 1 that General Electronics has faced consistent decline for the consecutive years since 2020 that indicated the loss of market share as well. The massive drop in the gross profit also indicates the severe pressure of pricing or the unmanageable rise of cost of goods sold (COGS) with the recovery in 2024 giving a positive indication. The drop in the operating profit has plunged from the positive rate to a significant loss with a change of -686.34% that indicates a crisis. The company faced a visible decline in the current assets due to inefficient cash flow, management of account receivables and issues in managing inventory. It is evident from the calculations in Appendix 1 that the total assets have also shown a significant shrinking over the rate of 36% that might have resulted from the financial crises and operational issues that are observed from the cash flow ratios and EPS.

However, the analysis of the current liabilities of the company tends to reveal the proactive financial strategy that is aimed at lowering the risk imposed on the balance sheet being highly driven by profitability crises and operational inefficiency in 2021 and 2023. The growth of the total liabilities by the rate 18.99% in 2021 indicated stability for the company, while the drop in rate of over 24% in 2023 indicated the commitment of the management to maintain a conservative liability base. The total equity of the company has been rapidly eroded with consistency dropping over the rate of 51% over the time of 5 years.

Analysis of Ratio of General Electronics

Profitability Ratios

Performance Analysis					
<i>Ratios</i>	<i>2024</i>	<i>2023</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>

ROCE	-11.27%	-47.38%	3.96%	5.48%	13.27%
ROE	-15.69%	-54.90%	0.15%	1.92%	12.31%
GPM	28.86%	23.20%	28.06%	28.75%	28.67%
NPM	-6.09%	-23.36%	0.07%	0.88%	6.28%

Analysis:

The ROCE and the ROE had been on the positive side in 2020, with ratios of 13.27% and 12.31% respectively. However, there has been a significant deterioration in the ratios in 2023 that is the rates being -47.38% and -54.90% respectively. There has been a slight recovery in the rates in 2024, with the ratios being -11.27% and -15.69% yet they are on the negative scale, which indicates the incurring losses of General Electronics. The GPM of the company has displayed strength in its rebound, with 2024 having a high rate of 28.86% ensuring the ability of the company to manage its direct costs (Das, 2018). While a negative NPM of -6.09% indicates inefficient cost control.

Liquidity Ratios

Performance Analysis					
Ratios	2024	2023	2022	2021	2020
Current	1.53	1.61	1.56	1.56	1.82
Quick	1.03	1.06	0.91	0.93	1.15

Analysis:

The current ratio of the company, being 1.53, is considered to be healthy to be able to cover for the debts in the short-run with all the current ratios. The ratio has been above 1.5 for the period of five years. It has been since 2021 that the ratio of the company has stabilised at around 1.56% from the year 2021 to 2022, peaked at the rate of 1.61% in 2023 and declined slightly to 1.53% in 2024. The quick ratio has been more volatile than the current ratio, with 1.15% in

2020 and is facing a drop to 0.93 and 0.91 in the years 2021 and 2022, respectively. The ratio of 1.03% in 2024 is strong, ensuring the meeting of the short-term debts (Das, 2018).

Efficiency Ratios

Performance Analysis					
Ratios	2024	2023	2022	2021	2020
Assets Turnover	2.39	2.16	1.89	2.05	1.86
Stock Holding	103	100	131	115	100
Debtors' Collection	106	98	76	78	77
Creditors' Collection	94	64	82	48	17

Analysis:

The rise of the asset turnover ratio from 1.86% in 2020 to 2.39% in 2024 is the key to enforcing an efficient, strong, and positive trend upward. It is evident that the only drop has been in 2022, with the rate being 1.89%. The days of stock holding have been volatile, with the period surging from 100 days in 2020 to 131 days in 2022, with a major rise in 2022 to up to 131. This has indicated the streamlining of the inventory or clearing the slow-moving goods. The debtor's collection has been deteriorating from 77 days in 2020 to 106 days in 2024. The creditor's collection has depicted an aggressive management, with the 17 days in 2020 to 94 days in 2024 indicating the approach of company of using the suppliers as be source of short-term financing.

Gearing Ratio

Performance Analysis					
Ratios	2024	2023	2022	2021	2020
Gearing	7.24%	8.12%	6.70%	6.00%	5.28%

Analysis:

The gearing ratio, being 5.28% to 8.12% from 2020 to 2023, has been low, depicting a financially stable capital structure along with being highly conservative. Again, the increase in

the ratio also indicates the implementation of a strategic form of decision that utilises the financial leverage estimated for growth (Das, 2018). Again, the drop of the ratio to 7.24% in 2024 also gives a positive indication towards stability in the long run.

Investment Ratio

Performance Analysis					
Ratios	2024	2023	2022	2021	2020
EPS	-1.85	-7.64	0.03	0.39	2.78

Analysis:

It is evident that the earnings per share have faced a significant drop from the rate of 2.78% in 2020 to -7.64% in 2023. The drop could be interpreted to have emerged from inefficient business decisions and the influence of external factors. The transition to the negative EPS also confirms that the company has destroyed the value of the shareholders (Das, 2018). However, the change of the EPS to -1.85% has been a significantly positive sign for the company in 2024, even though it is still in the negative range. The EPS thus indicates the impact of financial crises on the company from 2021 to 2023.

Cash Flow

Performance Analysis					
Ratio s	2024	2023	2022	2021	2020
OCFL	0.09	0.16	0.05	0.19	0.41
OCFD	0.08	0.14	0.04	0.17	0.37
CFM	-79.70%	-27.30%	95.90%	250.52%	167.16%

Analysis:

The OCFL and OCFD ratios have seen a significant drop from 2020 to 2024. This has indicated the inefficiency of the company to be able to meet the obligations from the internal flow of

cash. In 2022, the ratios hit their lowest rates, that is, 0.05% and 0.04% respectively. In 2023, the rates being 0.16 and 0.14 indicated the effort of generating an efficient flow of cash while remaining weak. The ratios being 0.09% and 0.08% in 2024 have again been significantly low. The worsening rate of CFM has been contradictory to the improvements of EPS, which is -7.64% to -1.85%. This indicates the improvement in EPS mainly due to the large rate of non-cash expenses.

Analysis of trends, strengths and threats

Trends

It is evident from the analysis of the ratios that General Electronics has been consistent with the drop in the profitability rates from the rate of +2.78% in 2020, while indicating serious cash burn. The operating cash flow has been inadequate, consistently having been below the rate of 1.0, showing a significant decline in 2024. Again, the EPS also provided an indication of the significant reduction in loss in 2024 that suggested a financial recovery (FERNIAWAN, KUSUMAWATI and MADEIN, 2024). However, the CFM has worsened at a significant rate in 2024, from a rate of -23.30% to -79.70%.

Strengths

The significant rate of loss reduction with the declining EPS ratio from 2023 to 2024 has indicated significant loss reduction. This has indicated the strength of the management to be able to handle the non-cash expenses that had led to the significant loss in 2023. The high rate of CFM of the rate of 250.52% in 2021 has also demonstrated the possession of company to be highly efficient in converting the sales rate into operating cash flow under suitable conditions (Stavropoulos and Zounta, 2025). This could be interpreted as a capability that could be the root cause of resolving the current cash burn.

Threats

The significant threat is the negative CFM of -79.70% in 2024, indicating the inefficiency of the cash burn of the business at the unsustainable conditions that affect its solvency. Again, the low rates of OCFL and OCFD ratios indicate the inability of the company to cover the current liabilities or the debt payments using the generated cash from daily operations. It is also fair to interpret that the apparent recovery of EPS is likely to be backed by cash, with the creation of a high risk that the financial improvement might fail to sustain the business, with the company running out of operational cash (Murthy *et al.*, 2021).

Application of Corporate Failure Prediction Models (Altman Z-Score)

Altman Z Score	
$1.2A+1.4B+3.3C+0.6D+1.0E$	
2024	2.233
2023	1.886
2022	2.409
2021	2.573
2020	2.717

Analysis:

The Altman Z-score is considered a financial formula that is used for predicting the probability of General Electronics to be bankrupt in the next 2 years. The interpretations of the company are done based on three categories, that is, the distress zone, if the Z-score is below 1.81 (Rashid, Khan and Qureshi, 2023). The gray zone, when the Z-score is between 1.81 and 2.99 and the safe zone if the Z-score is above 2.99.

It is fair to interpret that the Z-score of General Electronics is in the **Gray Zone** throughout the period, with the indication of the moderate risk of default that is sustained. It could also be analysed that the Z-score of 1.886 in 2023 is close to the point of crisis. However, it has

improved to 2.333 in 2024. It is fair to state that the default risk of the company is moderate yet persistent.

2. Working Capital Management Analysis

Cash Operating Cycle

Cash Operating Cycle				
<i>Inventory Days + Receivables Days - Payable Days</i>				
2024	103+106-94			115
2023	100+98-64			134
2022	131+76-82			125
2021	115+78-48			145
2020	100+77-17			160

Working capital management is vital to ensure that General Electronics has enough liquidity to fund daily operations. Therefore, the most crucial measure of how well a firm turns its working capital into usable cash is the cash operating cycle, which is calculated as Inventory Days + Receivables Days - Payable Days. Also, significant differences in efficiency, fundamental operational flaws, along with a strong reliance on trade credit as a liquidity mechanism are highlighted by the five-year data from 2020 to 2024. The cash operating cycle dropped from 160 days in 2020 to 115 days in 2024. However, it can be stated that this overall advancement makes structural weaknesses in inventory, receivables and payables management. The above calculation highlights that the cash operating cycle reached its peak in 2020 due to exceptionally low payment days. The 160-day cash operating cycle shows significant cash flow pressure as receivable days were 77, and payables were low at 17 days. In this case, the inventory days were comparatively efficient at 100. Hence, this shows that the firm's cash flow suffered significantly since it cleared supplier bills much faster than it converted inventories, as well as collected receivables. Moreover, it can be evaluated that there

was a significant liquidity mismatch and thus, General Electronics has to depend on internal cash or short-term financing since it paid suppliers far earlier than it received payments from consumers.

It is evident that the cash operating cycle dropped to 145 days in 2021, due to a significant increase in payables from 17 to 48 days. This mainly suggests that the firm started postponing supplier payments to manage liquidity issues. Still, inventory days increased to 115 and receivables to 74, indicating a decline in operational efficacy. The extension of payables was the main driver of the cash operating cycle growth. Furthermore, the cash operating cycle further decreased to 125 days in 2022. Yet, this did not show improved internal performance. In this case, inventory days increased to 131 days, resulting in overstock, poor demand forecasting, along with slow-moving inventory. Also, higher payables with lower receivables were the vital causes of the improvement. Thus, the cash operating cycle decrease masked serious inefficiencies. In addition, the above calculation showed that in 2023, the cash operating cycle increased again to 134 days, and in this case, the main driver was a notable drop in supplier payment time from 82 to 64 days, which meant that General Electronics paid suppliers quickly even though it failed to gather cash effectively. Receivables increased vitally to 98 days while inventory fell back to 100 days, and these are signs of deteriorating credit management. Thus, the internal process failed to stabilise, causing the organisation to return to liquidity difficulties. Moreover, the cash operating cycle has its lowest point of 115 days in 2024. However, this improvement resulted from extending creditor days to 94. Hence, it is the worst receivable performance in five years, where receivables increase to 106 and inventory days increase to 103. In general, the 2024 improvement is strategic, and the approach taken could harm suppliers as well.

Recommend strategies to improve liquidity through working capital reforms

- Focus on reducing days from 106 to the industry standard by limiting credit terms, offering early-payment discounts and implementing automated reminders.
- Concentrate on renegotiating terms with suppliers to responsively maintain extended payables and focus on creating cooperative associations that manage supply chain issues.
- Optimise inventory levels throughout demand forecasting, SKU rationalisation, along with a just-in-time process to manage overstocking and mitigate inventory days.
- Improve cash-flow visibility via rolling projections, daily cash monitoring and strong expenditure restrictions to ensure steady liquidity and lessen dependency on short-term loans.

Comparing short-term vs long-term financing options

In the present scenario, the main purpose of short-term finance, which mainly includes commercial paper, trade credit, bank overdrafts and debt factoring, is to fund daily operational needs (Mustafina *et al.*, 2020). Overdrafts enable corporations to withdraw more than the account balance, although banks can withdraw the facility at any moment, and interest rates are mainly higher in that context. Also, delaying supplier payments or trade credit is a popular working capital approach that relieves cash flow issues without requiring formal borrowings. Debt factoring increases cash flows and decreases profit margins due to service fees by selling receivables to a factor as well. In contrast, strategic investments along with structural upgrades are supported by long-term financing options like bank loans, bonds, share capital, mortgages, venture capital and long-term leasing. In this context, bank loans as well as mortgages provide regular repayment schedules since these are suitable for expanding or acquiring assets. Although they may include restrictive covenants and need security.

Long-term interest obligations raise financial issues, still, issuing bonds or debentures allows corporations to access substantial capital sums on domestic or international markets. Also, equity financing or the issuance of common shares enhances the balance sheet, improves solvency and increases permanent capital. However, these factors dilute ownership and dividend expectations among shareholders. Moreover, long-term leasing along with hire purchase capacity development without needing significant upfront expenditures by spreading out high asset cost over time. Thus, it can be evaluated that short-term financing enhances operational liquidity, whereas long-term financing increases financial stability as well as growth potential (Mustafina *et al.*, 2020). Therefore, it is vital to have a balanced mix, where short-term sources will fill working capital deficits and long-term sources should finance strategic change and increase overall resilience.

3. Strategic Financial Restructuring Plan

Recommending financial restructuring options

Divestiture or asserts sales

The urgent need to restore liquidity is presented by General Electronics' falling profitability, like ROCE -11.07% and ROE -15.69% along with decreased operating cash flows. In this case, working capital can be improved and short-term debts can be paid off quickly by selling underperforming assets, such as superfluous production facilities, old inventories and non-essential subsidiaries. Moreover, asset sales would facilitate cost control and mitigate operational complexity (Edmans and Mann, 2019). Asset optimisation is vital since rising debtor days continue to pressure cash cycles, even if asset turnover increased to 2.39. Thus, it can be stated that a leaner and sustainable operational structure will be supported by mitigating the asset base, which will even upgrade financial resilience and stabilise the gearing ratio.

Merger or partnership plan

It can be evaluated that a strategic merger provides a feasible path to stability, with net profit margins still negative (-6.09%), and efficiency is falling, evidenced by longer debtor collection and growing creditor days. Scale advantages, opportunities for cost-sharing, along with access to advanced technology that General Electronics presently lacks, can be obtained by partnering with a financially stable electronics brand. Also, improved supplier negotiations, enhanced distribution networks, collaborative R&D, as well as integrated supply chains can lead to synergies. Moreover, inflationary pressures can even be mitigated by collaborating with corporations in areas with lower costs. However, there are still risks, like conflicts between organisational cultures, complicated integration, along with diminished managerial autonomy. In general, it can be noted that long-term performance gains can be achieved via an effective alliance.

Equity injection

In the present situation, an equity injection is needed to recapitalise General Electronics due to the firm's ongoing financial issues, which mainly include declining profitability, negative EPS. Equity injection mitigates distress risk (Haque, 2023). Therefore, a rights issue would allow current shareholders to retain control by obtaining additional funds to manage operations. Additionally, an alternative, private equity investment might speed up restructuring by offering capital and strategic managerial expertise. Also, improving equity will improve creditor and investor trust, and these factors increase gearing and lessen the firm's reliance on debt. Therefore, the ability to reinvest in high-potential product lines, automation of procedures, along with cost-effectiveness plans is essential for long-term competitiveness and financial recovery.

Evaluating the impact

Effects on shareholder value

Divestiture can increase shareholder value in the short term by raising cash flow, mitigating operating expenses and improving liquidity, as selling high-potential assets may restrict future revenue growth. Divestitures even simplify the firm's structure, and that is aligned with shareholder value (QIAO, 2024). Also, equity injection may reduce ownership and increase long-term significance by lowering financial issues, encouraging recapitalisation and allowing reinvestment into effective segments. Moreover, it can be noted that a merger or strategic alliance can vitally enhance shareholder value through shared innovation, economies of scale, along with improved market positioning. In this context, synergies can increase profitability and stabilise long-term results as well. Increased investor confidence after restructuring can increase market value. In general, these plans set the corporation to achieve a favourable shareholder return.

Impact on debt structure

The suggested restructuring actions assist General Electronics in having a stable as well as long-lasting debt structure. Immediate liquidity from divestiture can be utilised to enhance the firm's ability to cover its debt, reduce short-term borrowings, along with mitigate interest costs. Thus, it is vital to consider the corporation's falling operating cash flows and poor profitability metrics. Moreover, equity injections lower debt loads and improve important solvency ratios, including interest coverage and gearing, by strengthening the capital base (Xiong, Liu and Wang, 2022). The corporation is less vulnerable to default risk and fluctuating borrowing expenses as equity replaces debt. It can be evaluated that a merger plan improves the debt profile by allowing the combined company to share financial resources, negotiate credit terms and distribute issues over a larger operational base. Furthermore, merged firms often have

significant negotiation power with lenders due to their enhanced revenue potential and asset support.

Effects on operational flexibility

The operating flexibility of General Electronics has been significantly increased by the restructuring options. For instance, the corporation can emphasise its efforts on its main business divisions, which have significant opportunities for expansion by selling unprofitable assets. Additionally, internal processes are managed, and operational complexity is decreased by this streamlining. Investments in R&D, workforce advancement and digital transformation initiatives that boost innovative capacity as well as operational effectiveness are made possible by equity injections. They allow the firm to enhance supply chain resilience and modernise facilities as well. Furthermore, a merger vitally increases operational flexibility by raising the brand's technological abilities, improving access to international supply chains (Hossain, 2021). These factors even allow the merged organisation to make use of common knowledge, assets as well as skills.

International and ethical considerations

Taxation Implications

Having operated on the international platform it is essential for General Electronics to use the approach of transfer pricing for shifting the profits to the jurisdictions with low-tax. It is also essential to ensure the defensible documentation for all the transactions across the borders for preventing fines and audits (Mashiri, Dzomira and Canicio, 2021). It is also essential for the company to investigate the losses that are leveraging through consideration of tax or even the rules of carrying forward to offset the future profits with the achievement of the turnaround with the maximisation of the benefit of further recovery.

Currency Risk

It is efficient to apply the hedging strategy for avoiding the risks of current fluctuations on the international level. It is essential for the business to ensure that the raw materials are being purchased at efficient rates to maintain the production cost that eventually affects the pricing. This is vital for maintaining the cash flow. The hedging strategy thus needs to be focused on natural form of hedging for matching the currency of the revenue inflows to the outflow of expenses while using contracts that are simple and even short-term (Ahmed *et al.*, 2024).

Inflation

Again, conducting the operations in the emerging markets could impose the threats of inflation. There are even chances of facing greater current volatility in the emerging market. This can eventually increase of labour cost and the production cost influencing the negative trend in the operating profit margin (Arzania and Nurhayati, 2025). The constant inflation of commodity prices could impose threats on the hard won recovery of the gross profit in 2024. Thus the company needs to be have the efficiency of passing the costs to the customers. However, the decline in the sales base could make it difficult.

CSR Considerations

It is essential for the company to provide efficient job security to the employees in the international market. This needs to be done with the compliance to the employment regulations in the respective nation of operations. It is also essential for the business to maintain complete transparency on the financial conditions and be vocal incase of hiring or reducing employee base during times of crises. The efficient environmental compliance is also essential for the company to maintain sustainability in the operations that can eventually benefit for the company reputation (Subhani, Zunhuan and Khan, 2025). Thus it is essential to set a budget for executing environmental practices.

4. Investment Appraisal and Capital Budgeting

Analysis of three investment projects

PBP

Project	Result
Project A	$\text{PBP} = 3 \text{ Years} + 4/10 = 3 \text{ Years } 4 \text{ months}$
Project B	No Profit made
Project C	$\text{PBP} = 3 \text{ Years} + 15/25 = 3 \text{ Years } 6 \text{ months}$

Analysis:

The Payback Period (PBP) has given an outlook on the time that is needed in the project to recover from the initial investment. It is evident from the analysis that the Project has offered the fastest pace of recovery with a duration of 3 Years and 4 months, and a low rate of liquidity risks. Project B does not provide any profit. While Project C has a slower recovery than Project A, which is the time of 3 Years and 6 months, it is quicker than Project B (Dai *et al.*, 2022).

ARR

Project	Result
Project A	35%
Project B	No ARR determined
Project C	50%

Analysis:

The Accounting Rate of Return (ARR) is considered to be a measure that is non-discounted and profitable. It has been calculated as the average annual profit to be a percentage of the initial form of investment (Darmansyah, Ali and Parveen, 2025). It is evident that Project A

offers a 35% accounting rate of return while Project B does not provide a determined ARR due to a lack of efficient profit. It is also evident that Project C yields the highest rate of ARR of 50% which is considered positive for the future profit aspect of the company.

NPV

Project	Result
Project A	£1.3
Project B	(£7.27)
Project C	£4.23

Analysis

The Net Present Value (NPV) is considered to be the significant technique for maximising the wealth of the company to reflect the discounts on the cash flow at the rate of 10% cost of capital for reflecting the time value of money (Dai *et al.*, 2022). NPV rates being £1.3 and £4.23 for Project A and Project C, respectively, are considered fair, while Project B is significantly high. Project B is completely unacceptable with the negative rate of (£7.27) that destroys the value.

PI

Project	Result
Project A	0.0325
Project B	Cannot be determined
Project C	0.0846

Analysis

The Profitability Index (PI) is the benefit-cost ratio that measures the NPV that is generated per unit of the investment, as it is essential for ranking the project under the rationing capital.

It is analysed that Project A has provided the PI of 0.0325. It is also analysed that the PI of Project B cannot be determined as the rate of NPV is negative. The PI of Project C is 0.0846, which is the highest among the three. This ensures the ability of Project C to be able to make use of the scarce capital (Darmansyah, Ali and Parveen, 2025).

IRR

Project	Result
Project A	11.407%
Project B	Cannot be determined
Project C	12.940%

Analysis

The Internal Rate of Return (IRR) is the rate of discount rate at which the NPV of the project equals zero. The project can be considered acceptable in case the IRR is greater than its cost of capital, which is 10%. The IRR for Project A is considered to be 11.407%. The IRR for Project cannot be determined due to the negative rate of NPV, and that of Project C is 12.940% which is the highest. This indicates the strength in the return, ensuring the financial superiority (Dai *et al.*, 2022).

It could be analysed based on the financial calculations of the three projects have given an outlook that both Project A and Project C are highly acceptable. This is because they have been able to yield a positive NPV along with the IRR rates that are greater than the discount rate of 10%. It is clear that Project B is highly unacceptable across all the methods of cash flow that is both NPV, that is negative and IRR, which could not be determined.

Final Investment Recommendation

Capital rationing feasibility

<i>Rank</i>	<i>Project</i>	<i>Investment (£m)</i>	<i>PI</i>	<i>Cumulative investment (£m)</i>	<i>Cumulative NPV</i>
1	C	£50	0.0846	£50	£4.23
2	A	£40	-	£90 (Over budget)	-
3	B	£30	0.0325	-	-

Since the budget constraint is a capital rationing of £60 million, the aim is to choose the best investment option that maximises shareholder wealth while not exceeding the budget. Project C is the best-performing project in terms of financial performance, as it has the highest Net Present Value (NPV) of £4.23 million, a high Internal Rate of Return (IRR) and a profitability Index (PI) of 1.0846. Such measures signify that Project C provides the highest returns in comparison to the cost it incurs and provides the highest value to the shareholders.

Project A has a good NPV of £1.30 million and a PI that is greater than 1, but is not as financially good as Project C because Project B has less PI compared to Project C, below 1. After picking Project C, the remaining capital would be PS10 million, which would not suffice to take up Project A of £40 million or Project B of £30 million. Thus, it is possible to fund only one project using the budget.

Project C is the best investment option based on the results of the quantitative appraisal and the capital constraint because it would provide the highest value to the shareholders and would help the company of General Electronics recover its financial losses in the long term.

Justification and Risk Analysis

Analysing company's financial performance

The choice of investing in only Project C is highly justified when the financial performance of the company is declining and the risk nature of the investments that the company may make is reflected. General electronics is going through a severe financial decline and a number of

indicators are pointing to the decline of performance as well as the increase in the risk of insolvency. Profitability ratios like Return on Capital Employed (ROCE) and Return on Equity (ROE) have turned out to be negative, indicating that the firm is not currently making adequate returns to its shareholders. Moreover, if a company is suffering long-term cash flow problems, it has a low and gradually decreasing cash flow margin and poor operating cash flow standpoints in comparison to its liabilities (Youssef, 2024). Such instability puts strain on liquidity and implies that the firm has to focus on the projects that can generate high cash flows (Barnabas and Oloyede, 2024).

Besides, corporate failure prediction models emphasise increasing financial distress. The Altman Z-Score brings General Electronics to the 'Grey Zone,' which is an indication of a moderate but increasing threat of default. In this case, new investment can only significantly enhance the long-term solvency of the firm and consolidate its financial base. Project C best addresses these goals, with the greatest NPV of £4.23 million and the best Internal Rate of Return (IRR), both of which suggest that it will be able to generate more sustainable value and contribute to recovery.

Managing the project risk

There is an efficient rate of risk that is imposed on General Electronics in the case of cash flow volatility. It could be determined from the analysis of the investment appraisals that Project C indicates to have the highest rate of volatility in its cash flow, as it ranges from the rate of £5 million to £25 million. In the case of Project B, the cash flow has been predictable with efficient consistency, that is rate of £6 million. The cash flow from Project A is between the rate of £8 million to £14 million. Furthermore, it has been analysed that the Payback Period is considered to be a non-discounted measure of the risk that tends to favour the returns quicker and with more efficiency (Ferreira, Cunha and Kimura, 2022). The PBP of Project A, being 3 years and

4 months, is evidently faster than that of Project C. This provides an indication that the high volatility of cash flow yet offers a return rate that is greater.

With respect to the intense financial crises that General Electronics has, it is only fair to focus on the cash recovery approach that is quicker. In the aspect of mitigating the risks, it could be analysed that the liquidity crisis is evident, and thus it is essential for the urgent restoration of cash. It is fair to analyse that the non-discounted form of the payback method would be slightly favourable for the recovery of the cash even quicker in the case of Project A. However, it is evident that the NPV and IRR of Project C are superior to the other three projects. This further indicates that the cash flow is more volatile while extending the recovery period even further. The creation of long-term wealth thus outweighs the minor difference between PBP and is regarded as necessary for preserving the negative financial aspect of the company (Cotter, 2023). The high rate of potential return tends to compensate for the high rate of risk of volatility.

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Appendices

Appendix 1: Financial health check

Sales								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
394,879	420,457	-6.08%	542,751	-22.53%	601,602	-9.78	614,680	-2.13%

Gross Profit								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
113,994	97,560	16.85%	152,292	-35.94%	173,016	-11.98%	176,256	-1.84%

Operating Profit								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
-15,297	-85,301	-82.07%	14,548	686.34%	23,253	-37.44%	37,267	-32.24%

Current Assets								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change

242,494	258,851	-6.32%	338,040	-23.43%	337,146	0.18%	326,843	3.15%
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Total Assets								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
323,354	355,872	-9.14%	504,163	-29.41%	510,348	-1.21%	510,290	0.01%

Current Liabilities								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
158,291	161,148	-1.77%	216,473	-25.56%	216,787	-0.14%	179,510	20.77%

Total Liabilities								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
170,249	176,952	-3.79%	235,757	-24.94%	234,399	0.58%	196,989	18.99%

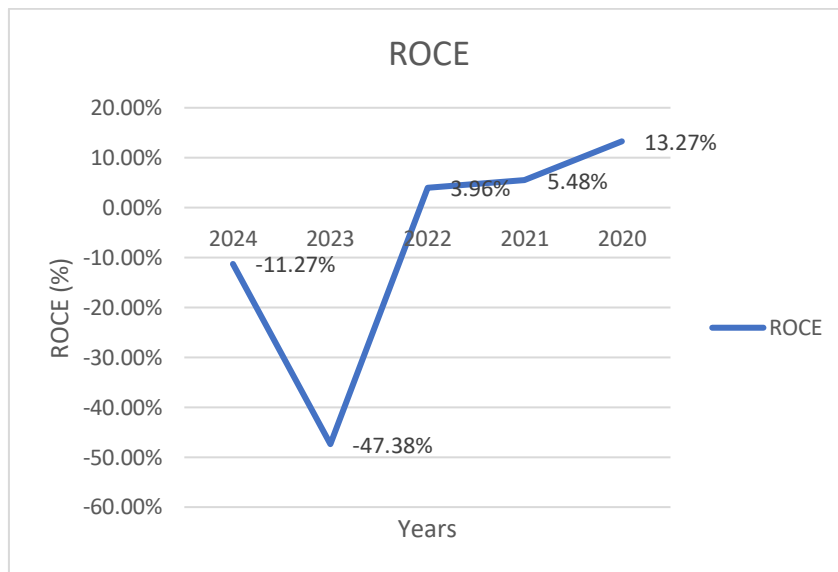
Total Liabilities								
2024	2023	% Change	2022	% Change	2021	% Change	2020	% Change
153,105	178,920	-14.43%	268,406	-33.34%	275,949	-2.73%	313,301	-11.92%

Appendix 2: Ratio Analysis

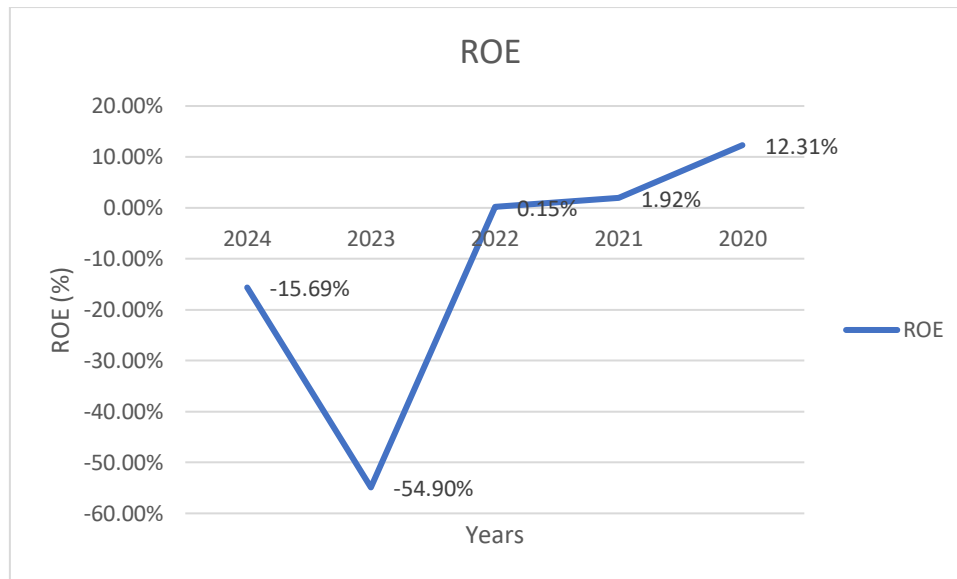
2.1 Profitability

Return on Capital Employed (ROCE)				
Profit Before Interest/Capital Employed * 100				
Capital Employed = Total Assets - Current Liabilities				
2024	323,354-158,291			165,063
2023	355,872 - 161,148			194,724
2022	504,163 - 216,473			287,690
2021	510,348 - 216,787			293,561
2020	510,290 - 179,510			330,780

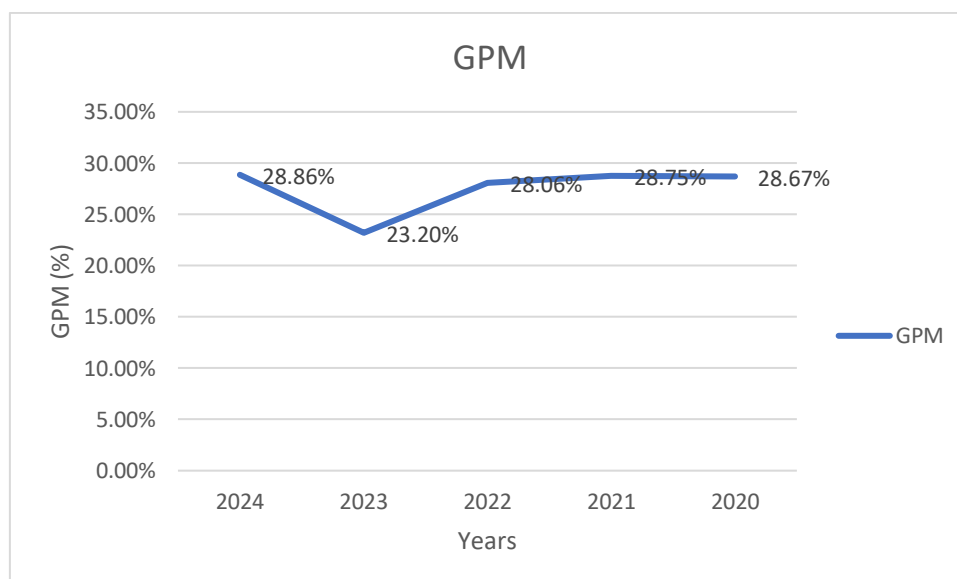
ROCE			
2024	$(18,598)/165,063 * 100$		-11.27%
2023	$(92,254)/194,724 * 100$		-47.38%
2022	$11,393/287,690 * 100$		3.96%
2021	$16,080/293,561 * 100$		5.48%
2020	$43,905/330,780 * 100$		13.27%



Return on Equity (ROE)		
<i>Earnings or Net Profit/Equity * 100</i>		
2024	$(24,029)/153,105 * 100$	-15.69%
2023	$(98,238)/178,920 * 100$	-54.90%
2022	$407/268,406 * 100$	0.15%
2021	$5,301/275,949 * 100$	1.92%
2020	$38,572/313,301 * 100$	12.31%

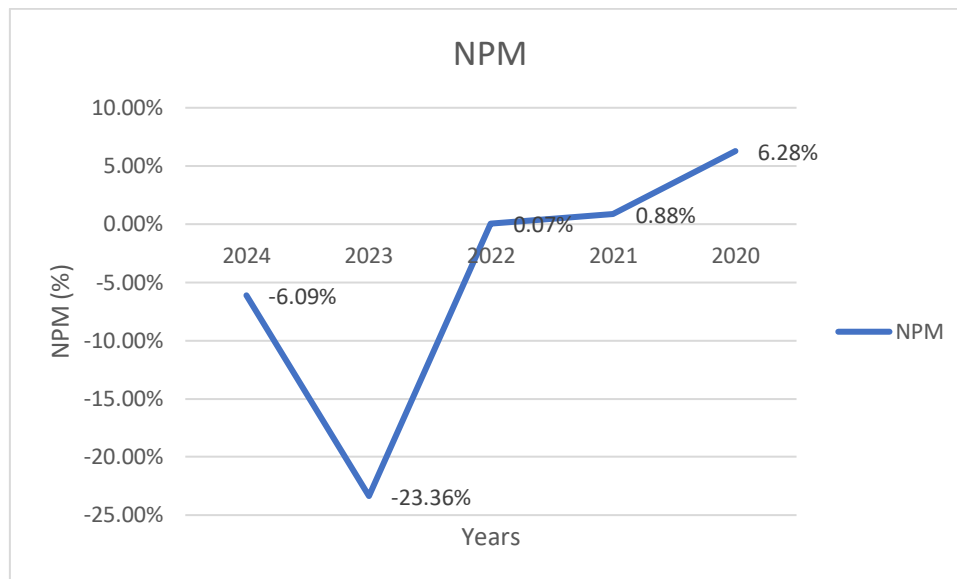


Gross Profit Margin (GPM)		
<i>Gross Profit/Revenue * 100</i>		
2024	$113,994/394,879 * 100$	28.86%
2023	$97,560/420,457 * 100$	23.20%
2022	$152,292/542,751 * 100$	28.06%
2021	$173,016/601,602 * 100$	28.75%
2020	$176,256/614,680 * 100$	28.67%



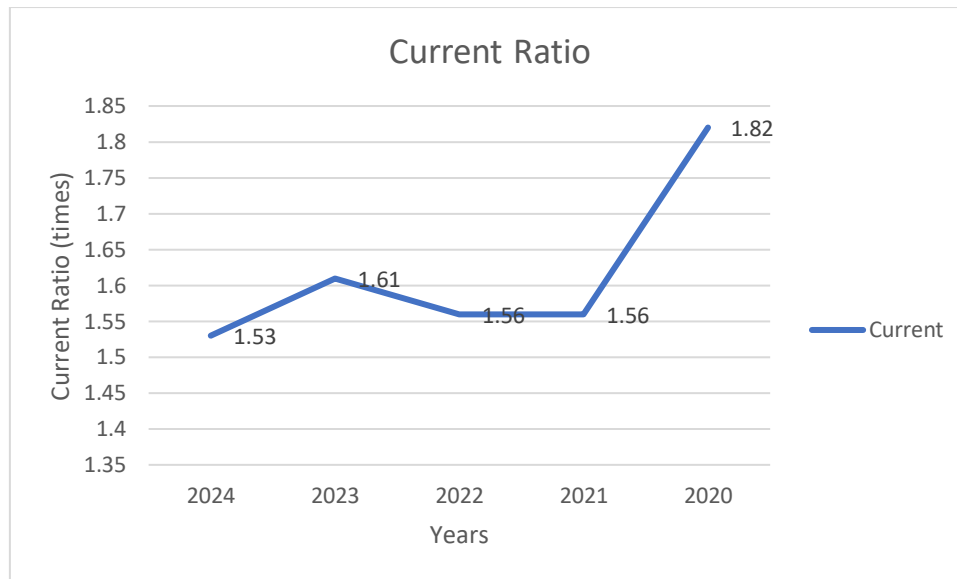
Net Profit Margin (NPM)		

<i>Net Profit/Revenue * 100</i>		
2024	$(24,029)/394,879 * 100$	-6.09%
2023	$(98,238)/420,457 * 100$	-23.36%
2022	$407/542,751 * 100$	0.07%
2021	$5,301/601,602 * 100$	0.88%
2020	$38,572/614,680 * 100$	6.28%

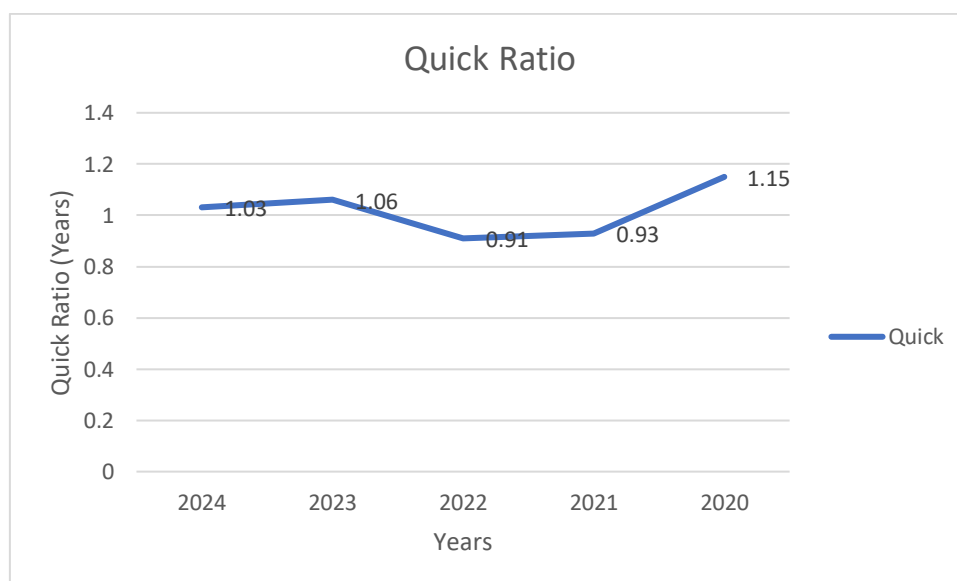


2.2 Liquidity

Current Ratios		
<i>Current Assets/Current Liabilities</i>		
2024	$242,494/158,291$	1.53
2023	$258,851/161,148$	1.61
2022	$338,040/216,473$	1.56
2021	$337,146/216,787$	1.56
2020	$326,843/179,510$	1.82

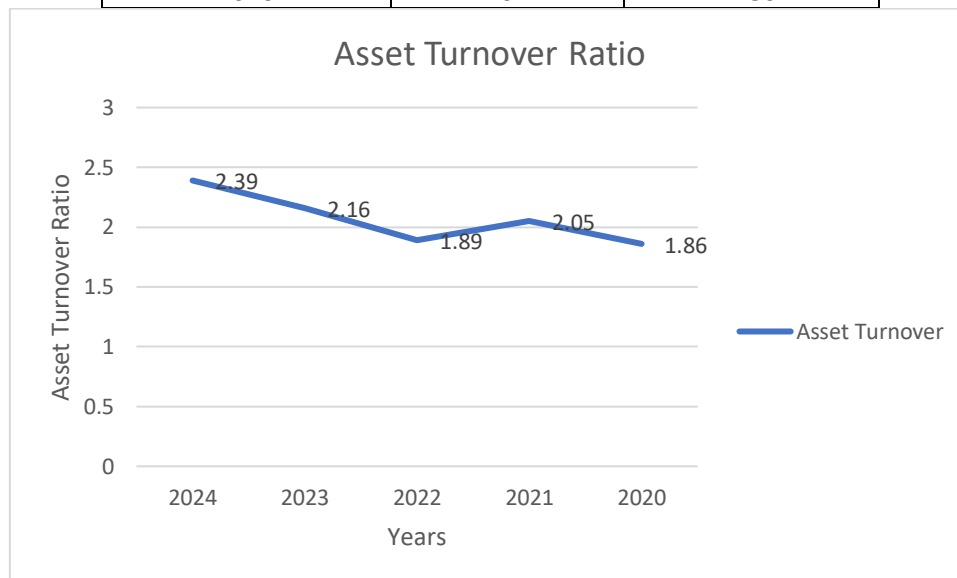


Quick Ratios			
<i>Current Assets-Inventories/Current Liabilities</i>			
2024	242,494-79,355/158,291	1.03	
2023	258,851-88,273/161,148	1.06	
2022	338,040-140,181/216,473	0.91	
2021	337,146-134,469/216,787	0.93	
2020	326,843-120,430/179,510	1.15	



2.3: Efficiency

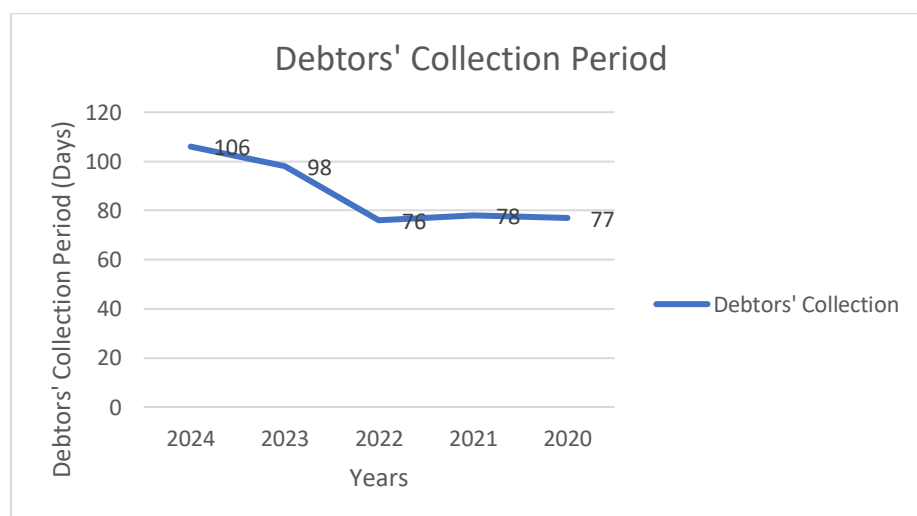
Assets Turnover Ratio		
Revenue/Capital Employed		
2024	394,879/165,063	2.39
2023	420,457/194,724	2.16
2022	542,751/287,690	1.89
2021	601,602/293,561	2.05
2020	614,680/330,780	1.86



Stock Holding Period		
Inventory/Cost of Sales * 365 days		
2024	79,355/280,885*365	103
2023	88,273/322,897*365	100
2022	140,181/390,459*365	131
2021	134,469/428,586*365	115
2020	120,430/438,424*365	100

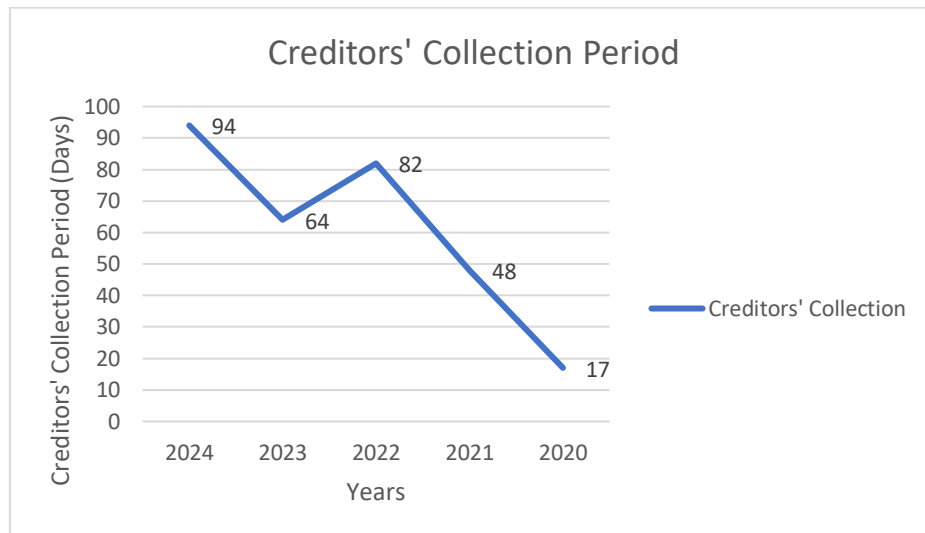


Debtors' Collection Period		
<i>Trade Receivables/Revenue * 365</i>		
2024	$114,182/394,879 * 365$	106
2023	$112,596/420,457 * 365$	98
2022	$112,346/542,751 * 365$	76
2021	$129,215/601,602 * 365$	78
2020	$129,433/614,680 * 365$	77



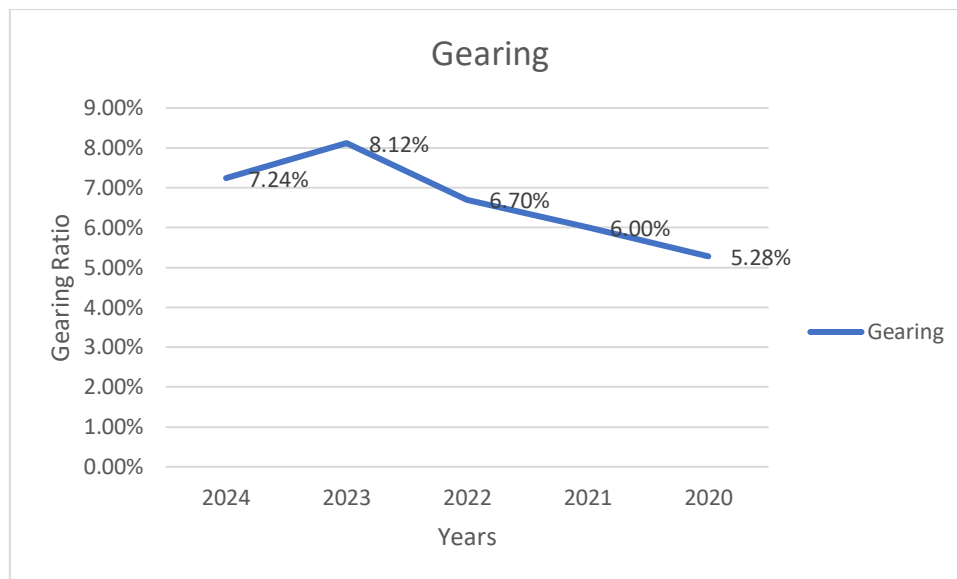
Creditors' Collection Period

<i>Trade Payables/Cost of Sales * 365</i>			
2024	72,031/280,885*365		94
2023	57,033/322,897*365		64
2022	88,000/390,459*365		82
2021	56,000/428,586*365		48
2020	20,000/438,424*365		17



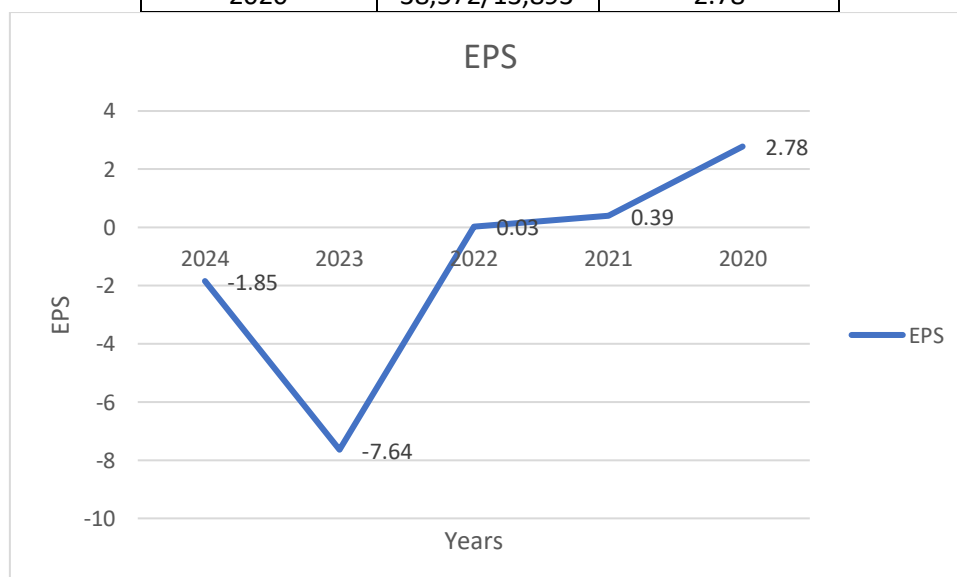
2.4: Gearing

Gearing Ratio			
<i>Long Term Debt/Long-term Debt+Equity * 100</i>			
2024	11,958/(11,958+153,105)*100		7.24%
2023	15,804/(15,804+178,920)*100		8.12%
2022	19,284/(19,284+268,406)*100		6.70%
2021	17,612/(17,612+275,949)*100		6.00%
2020	17,479/(17,479+313,301)*100		5.28%



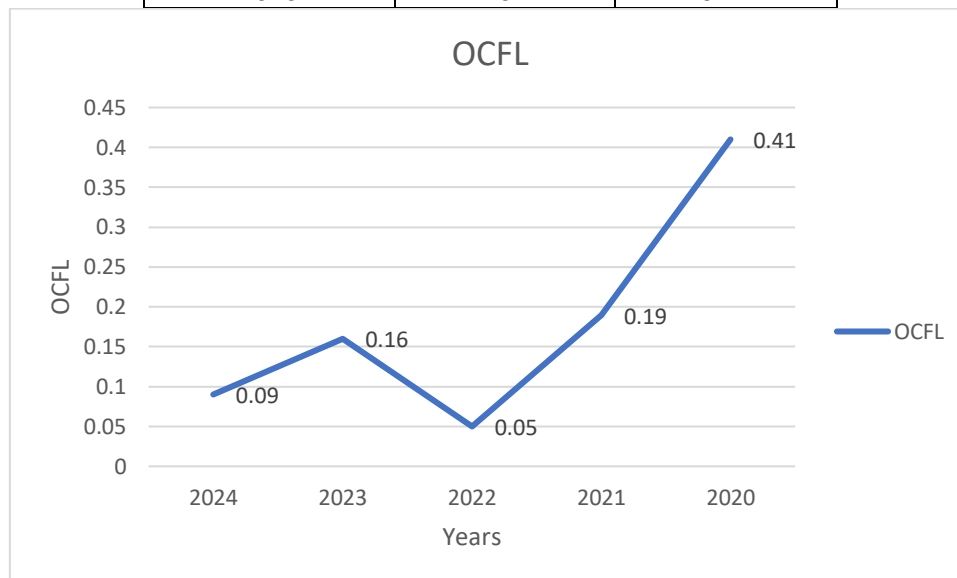
2.5: Investment

Earnings Per Share (EPS)		
Earnings/No. of Ordinary Share		
2024	(24,029)/12,959	-1.85
2023	(98,238)/12,855	-7.64
2022	407/12,703	0.03
2021	5,301/13,465	0.39
2020	38,572/13,893	2.78

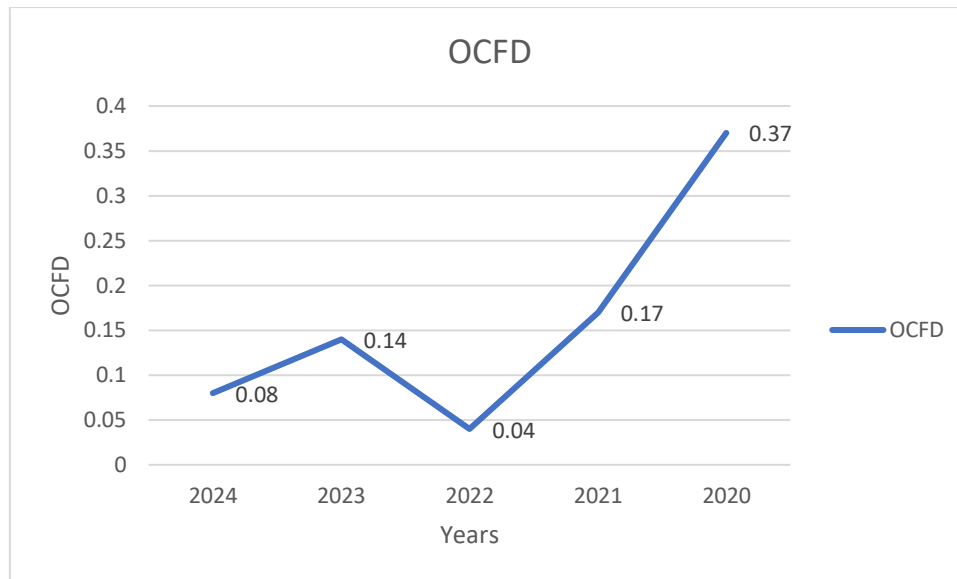


2.6: Cash Flow

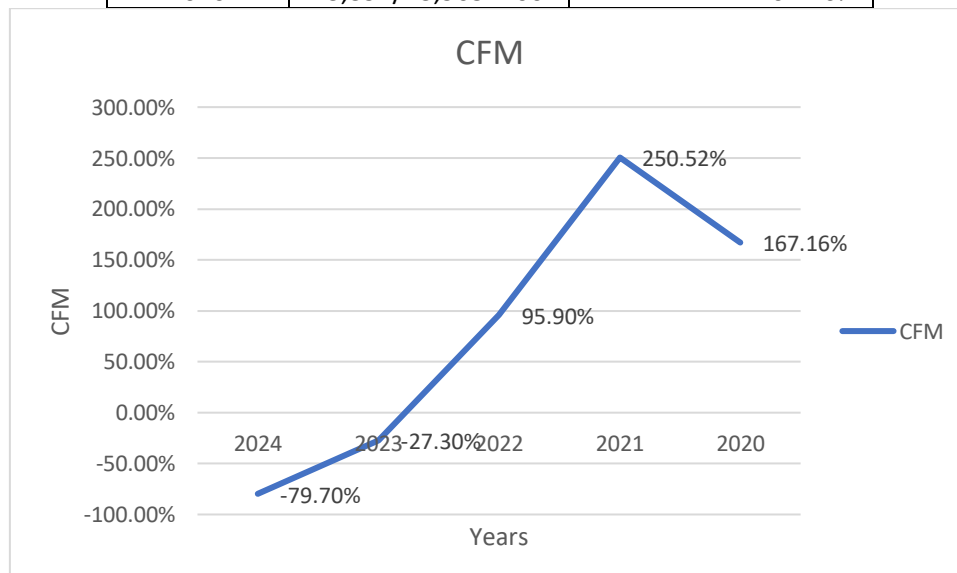
Operating Cash Flow to Liabilities (OCFL)		
OCF/Current Liabilities		
2024	14,822/158,291	0.09
2023	25,190/161,148	0.16
2022	10,926/216,473	0.05
2021	40,283/216,787	0.19
2020	73,392/179,510	0.41



Operating Cash Flow to Total Debt (OCFD)		
OCF/Total Liabilities		
2024	14,822/170,249	0.08
2023	25,190/176,952	0.14
2022	10,926/235,757	0.04
2021	40,283/234,399	0.17
2020	73,392/196,989	0.37



Cash Flow Margin (CFM)		
<i>OCF/Profit Before Tax*100</i>		
2024	$14,822/(18,598)*100$	-79.70%
2023	$25,190/(92,254)*100$	-27.30%
2022	$10,926/11,393*100$	95.90%
2021	$40,283/16,080*100$	250.52%
2020	$73,392/43,905*100$	167.16%



Appendix 3: Altman Z Score Workings

A = Working Capital / Total Assets	
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B = Retained Earnings / Total Assets	
C = Earnings before interest and Tax / Total Assets	
D = Market Value of Equity/Total Liabilities	
E= Sales / Total Assets	

A		
2024	(242,494-158,291)/323,354	0.26
2023	(258,851-161,148)/355,872	0.61
2022	(338,040-216,473)/504,163	0.24
2021	(337,146-216,787)/510,348	0.24
2020	(326,843-179,510)/510,290	0.29
B		
2024	208,431/323,354	0.64
2023	232,460/355,872	0.65
2022	330,698/504,163	0.66
2021	330,291/510,348	0.65
2020	324,990/510,290	0.64
C		
2024	(15,297)/323,354	-0.05
2023	(85,301)/355,872	-0.24
2022	14,548/504,163	0.03
2021	23,253/510,348	0.05
2020	37,267/510,290	0.07
D		
2024	(15,297)/323,354	-0.05
2023	(85,301)/355,872	-0.24
2022	14,548/504,163	0.03
2021	23,253/510,348	0.05
2020	37,267/510,290	0.07
E		
2024	394,879/323,354	1.22
2023	420,457/355,872	1.18
2022	542,751/504,163	1.08
2021	601,602/510,348	1.18
2020	614,680/510,290	1.2

Appendix 4: Investment Appraisal Techniques

4.1 Payback Period

Project A				Project B				Project C		
Year	Cash Inflow	Cummulative		Year	Cash Inflow	Cummulative		Year	Cash Inflow	Cummulative
0	(£40)	(£40)		0	(£30)	(£30)		0	(£50)	(£50)
1	£10	(£30)		1	£6	(£24)		1	£5	(£45)
2	£12	(£18)		2	£6	(£18)		2	£10	(£35)
3	£14	(£4)		3	£6	(£12)		3	£20	(£15)
4	£10	£6		4	£6	(£6)		4	£25	£10
5	£8	£14		5	£6	£0		5	£15	£25
PBP = 3 Years + 4/10 = 3 Years 4 months				No Profit made				PBP = 3 Years + 15/25 = 3 Years 6 months		

4.2 ARR

Project A				Project B				Project C		
Initial investment is £40m				As there is no profit made by Project B after completing its tenure, henceforth no ARR can be determined for this project				Initial Investment is £50m		
Total profit made during the life span is								Total profit made during its life span is		
£14m								£25m		
Henceforth, ARR is								Henceforth, ARR is		
£14m/£40m * 100								£25m/£50m * 100		
35%								50%		

4.3 NPV

Project A			
Years	Cash Inflow	DF @ 10%	Present Value
0			(£40)
1	£10	0.909	£9.09
2	£12	0.826	£9.91
3	£14	0.751	£10.5
4	£10	0.683	£6.83
5	£8	0.621	£4.97

PV Value	£41.3
Less: Initial Investment	£40
Net Present Value	£1.3

Project B			
Year s	Cash Inflow	DF @ 10%	Present Value
0			(£30)
1	£6	0.909	£5.45
2	£6	0.826	£4.96
3	£6	0.751	£4.51
4	£6	0.683	£4.08
5	£6	0.621	£3.73
PV Value			£22.73
Less: Initial Investment			£30
Net Present Value			(£7.27)

Project C			
Year s	Cash Inflow	DF @ 10%	Present Value
0			(£50)
1	£5	0.909	£4.55
2	£10	0.826	£8.26
3	£20	0.751	£15.02
4	£25	0.683	£17.08
5	£15	0.621	£9.32
PV Value			£54.23
Less: Initial Investment			£50
Net Present Value			£4.23

4.4 PI

Project A				Project B				Project C			
Net Present Value of Project A is £1.3				As NPV Value is negative so PI index cannot be determined in its case				Net Present Value of Project A is £4.23			
Initial Investment of the project is £40				Initial Investment of the project is £50				PI Index = £4.23/£50			
PI Index = £1.3/£40				PI Index = £4.23/£50				0.0846			
0.0325											

4.5 IRR

Project A					
Years	Cash Inflow	DF @ 10%	Present Value	DF @ 15%	Present Value
1	£10	0.909	£9.09	0.87	£8.7
2	£12	0.826	£9.91	0.756	£9.07
3	£14	0.751	£10.5	0.658	£9.21
4	£10	0.683	£6.83	0.572	£5.72
5	£8	0.621	£4.97	0.497	£3.98
		NPV	£1.3		(£3.32)
IRR	$10\% + [1.3 / (1.3 + 3.32)] * (15\% - 10\%)$ $10\% + [1.3 / 4.62] * 0.05$ $10\% + 0.014$ 11.407%				

Project B					
Years	Cash Inflow	DF @ 10%	Present Value	DF @ 2%	Present Value
1	£6	0.909	£5.45	0.98	£5.88
2	£6	0.826	£4.96	0.961	£5.77
3	£6	0.751	£4.51	0.942	£5.65
4	£6	0.683	£4.08	0.924	£5.54
5	£6	0.621	£3.73	0.906	£5.44
		NPV	(£7.27)		(£1.72)
Therefore, it can be stated that as cash inflow of this project is same as cash outflow, and there is no profit from this project, henceforth, applying any discounting margin will bring the project value negative, and no IRR can be determined from this project.					

Project C					
Years	Cash Inflow	DF @ 10%	Present Value	DF @ 15%	Present Value
1	£5	0.909	£4.55	0.87	£4.55
2	£10	0.826	£8.26	0.756	£7.56
3	£20	0.751	£15.02	0.658	£13.16
4	£25	0.683	£17.08	0.572	£14.3

5	£15	0.621	£9.32	0.497	£7.46
		NPV	£4.23		(£2.97)
IRR	$10\% + [4.23/(4.23+2.97)] * (15\%-10\%)$				
	$10\% + [4.23/7.2] * 0.05$				
	$10\% + 2.94$				
	12.940%				