

LCMB7002

FINANCIAL MANAGEMENT

Abbott Laboratories

A brief history of Abbott Laboratories

Calculation and evaluation of financial ratios for the most recent financial year and recommendations

Calculation and evaluation of PBD, ARR, NPV. Discussion and advantages of shortcoming and discussion non-financial factors management needs to consider.

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Introduction

Financial management is important in every business. This is because financial management plays diverse roles within every business, such as meeting the capital needs of a business, selecting its capital sources, determining its fund investment and managing its liquidity. It also has an important role in the establishment of financial control over businesses. This report conducts a detailed discussion on the financial management of Abbott Laboratories, which is one of the leading American pharmaceutical companies that trade on the New York Stock Exchange. In this report, discussions will be made about this company, its business model, its past events and various such aspects. Followed by this, the financial ratios of the company for the most recent year will be calculated while a comparison will be made to a major competitor of the company. Recommendations will be provided on the company's financial management. Moreover, two investment opportunities will be considered and their financial viability will be considered. Discussions will also be made on the benefits and shortcomings of the investment appraisal techniques along with the non-financial factors that managers should consider when making investment decisions.

Part A

A brief history of Abbott Laboratories

Abbott Laboratories is an US-based multinational company that deals with healthcare and pharmaceutical products along with medical devices, which is headquartered in Illinois, United States. The central purpose of the company is helping people to live their life at the healthiest way possible. It creates breakthrough products in the field of medical devices, diagnostics and nutrition along with branded generic pharmaceutical products (Abbott, 2024). It has more than 114000 employees with presence in above 160 nations and an experience of more than 135 years (Abbott, 2024a). Abbott Laboratories operates mainly operates within the healthcare and pharmaceutical industry. This marketplace is mainly concerned with discovering, developing, manufacturing as well as marketing pharmaceutical drugs and vaccines, which are administered to patients.

The company shows the presence of a diversified business model (Abbott, 2024b). This business model revolves around a central purpose of helping people in living the healthiest life people. It has a broad portfolio of a range of market-leading products, which are aligned with favourable long-term trends in the healthcare industry in developed as well as developing markets. However, the company and its operations are largely affected due to its competitors. This industry is highly competitive in nature. The main competitors affecting the company are AbbVie, Medtronic, Johnson & Johnson, Bruker Corporation and Agilent Technologies. In the global market, Novartis, Sanofi, AstraZeneca, Merck, GSK and Pfizer provide great competition of the company. Several major events in the last five years have helped the company in reaching the position where it now stands.

In the year 2019, Abbott Laboratories purchased the company Cephea Valve Technologies, Inc. that is concerned with the development of a less-invasive replacement heart valve (Abbott MediaRoom, 2019). This will benefit people who are suffering from diseases related to the mitral valve. The year 2020 was a remarkable year for the company, as it had a contribution in the Covid-19 pandemic. It received authorisation from the US FDA for testing SARS CoV-2 during the pandemic outbreak. The company also received EUA from the FDA for its antibody test, which helps in the detection of the IgG antibody to the virus SARS CoV-2. Abbott Laboratories delivered more than 400 million tests for Covid-19 in 2020 (Abbott, 2024c).

In 2021, the company acquired Walk Vascular, LLC. This year was also a remarkable year for the company, as Robert B. Ford, the chairperson of the board and chief of executive took to his role (Abbott, 2024d). He previously served as its Chief Operating Officer and President. In 2022, the major event for the company was the introduction of Lingo. The product is a consumer bio wearable sensor, which helps in collecting various biological readings for the optimisation nutrition regimens and exercise. However, in this year, 28 plaintiffs brought claims for personal injury that the company's formula led to health problems such as bacterial meningitis and salmonella contamination (Reuters, 2023). This led to the closure of one of Abbott's baby formula plant located at Sturgis, Michigan. The year 2023 was also a remarkable year since it acquired two companies, which are Bigfoot Biomedical and Cardiovascular Systems, Inc.

Part B

Calculation of financial ratios for the most recent financial year

Financial ratios are the key tools through which the financial performance and position of an organisation can be analysed and interpreted. According to Fridson and Alvarez (2022), financial ratio analysis is a financial ratio, which is helpful for unpicking various financial data from the annual reports of a company to measure, evaluate and analyse its financial performance. It helps in understanding the strengths in the performance of a company along with its overall efficiency. However, financial ratios are of diverse types and help in the evaluation of diverse aspects of a company's performance. The following is a detailed analysis conducted on the financial performance of Abbott Laboratories based on its profitability, liquidity, gearing and efficiency based on its most recent financial statements –

Profitability ratios

According to Rafid *et al.* (2021), the profitability ratios are a set of financial ratios, which allow a company to analyse its profits relative to its trading performance or in terms of other aspects. For example, these ratios help in the analysis of the profits earned in a company relative to the capital invested in its context. One of the key profitability ratios to analyse the profitability of Abbott Laboratories is calculated below –

Net profit margin formula = Net income / Net sales (or revenue) × 100

Net profit margin of Abbott Laboratories for 2023 = $5723 / 40109 \times 100 = 7.816811 = 7.82\%$

Liquidity ratio

As defined by Reschiwati, Syahdina and Handayani (2020), the liquidity ratios are a set of financial ratios, which help in the measurement of the ability of a company to meet all current its debts along with short-term bills. It shows how well a company can address its immediate financial dues. One of the key liquidity ratios to analyse the liquid position of Abbott Laboratories is calculated below –

Current ratio formula = Total current assets / Total current liabilities

Current ratio of Abbott Laboratories for 2023 = $22670 / 13841 = 1.637887 = 1.64: 1$

Gearing ratio

Gearing ratios are the set of financial ratios that help in the evaluation of the degree of the financial leverage existing in a company (Hidayat and Kurniasih, 2022). They help in measuring the long-term solvency of a company through the analysis of the proportion of the equity and debt financing within its context. One of the key gearing ratios to analyse the financial gearing or solvency of Abbott Laboratories is calculated below –

Debt to equity ratio = Total liabilities / Total shareholders' equity

Debt to equity ratio of Abbott Laboratories for 2023 = $34387 / 38827 = 0.885647 = 0.89: 1$

Efficiency ratio

Efficiency ratios are the set of financial ratios that help in the examination of how efficiently the management of a company can be controlling its operations (Alarussi, 2021). It also shows the efficiency with which it can be running its day-to-day operations. One of the key efficiency ratios to analyse the operational efficiency of Abbott Laboratories is calculated below –

Asset turnover ratio = Net sales (or revenue) / Average total assets

Asset turnover ratio of Abbott Laboratories for 2023 = $40109 / 73214 = 0.547832 = 0.55$ times

Critically evaluate the ratios you calculated using academic references

There have been diverse sorts of ratios calculated for Abbott Laboratories in the above section. All the financial ratios calculated above indicate different aspects of a company's performance. According to Janice and Toni (2020), the net profit margin is a financial ratio that shows the percentage of profit a company generates on an overall basis after all costs and expenses have been charged. It shows how well it can keep its expenses under control and how well it is spending money. The evaluation of the net profit margin ratio of Abbott Laboratories for the year 2023 shows a result of 7.82% (Abbott, 2023). This helps in interpreting that the company is profitable in nature and has earned net profit and not loss. However, the figure achieved for this ratio is not very high. This helps in summarising that the company has a satisfactory net profit margin. However, the ratio needs to be improved in the future to ensure good profitability.

Conversely, Hertina (2021) defined current ratio as a financial ratio, which shows a comparative result between the current assets of a company and its current liabilities. It shows if a company can be meeting all its current financial obligations with the usage of its current or short-term assets. The evaluation of the current ratio of Abbott Laboratories for the year 2023 shows a result of 1.64: 1 (Abbott, 2023). This result helps to identify that the company is successful in terms of maintaining a good and sound liquid position. It is because the total current assets of this company are relatively much higher than its current debt obligations. As a result, the evaluation of this ratio helps in concluding that Abbott Laboratories has a sound liquidity.

As defined by Patin, Rahman and Mustafa (2020), an asset turnover ratio is a financial ratio that shows a fraction between the net sales revenue of a company and its average total assets. It reflects how well a company can manage its assets and generating revenues from them. The evaluation of the asset turnover ratio of Abbott Laboratories for the year 2023 shows a result of 0.55 times (Abbott, 2023). This helps in interpreting that the asset turnover of the company is relatively low. This is because it can be seen that the company is able to convert each dollar of its assets into 55 cents worth its revenues. As a result, it can be interpreted that the asset managing efficiency of the company needs to be improved.

However, as stated by Gunawan *et al.* (2022), a debt to equity ratio is a financial ratio conducting a comparison between the total debts of a company and its total shareholders' equity. In simple words, it shows if a company possesses the capacity to address all the financial obligations that it has through the medium of using its equity, also known as shareholders' funds. The evaluation of the debt to equity ratio of Abbott Laboratories for the year 2023 shows a result of 0.89 (Abbott, 2023). This helps in interpreting that the company has a good financial leverage. It is because the total equity in this company is higher and better than its debts and this can be used for meeting these debts easily. Hence, on an overall basis, it can be derived that Abbott Laboratories has a good financial performance. The current ratio and debt to equity ratio of the company are good. However, there is huge scope for the company to work on the improvement of its asset turnover and net profit margin.

Comparison of Abbott to a major competitor on the basis of the financial ratios

One of the key ways in which the performance accomplished within a company can be evaluated is through conducting a comparison against competitors (Charles and Ochieng, 2023). This is

because comparing the financial figures of a company with those of its competitors assists to understand how well or how poorly it is performing relative to its market rivals. In the case of Abbott Laboratories, it can be determined that a major competitor of the company is AbbVie. AbbVie is an organisation concerned with the creation of medicines along with innovative solutions, which helps to cure complex health problems and improves the lives of people (AbbVie, 2024). It has more than 50000 employees working globally for supporting the communities to ensure a better society and help patients now and in the future.

Profitability ratio

Net profit margin of AbbVie in 2023 = $4863 / 54318 \times 100 = 3.60995 = 3.61\%$

The analysis of the net profit margin of the company AbbVie shows a figure of 3.61% (AbbVie, 2023). This helps in determining that the company has earned net profit in 2023. However, the profit percentage that it has earned is low. When compared against the net profit margin of Abbott Laboratories, it can be seen that this company has a net profit margin of 7.82%. This helps to determine that as compared to Abbott Laboratories, its competitor AbbVie has a much poorer net profit margin. Hence, it can be determined that the company is performing better in terms of profitability as compared to that of its key competitor.

Liquidity ratio

Current ratio of AbbVie in 2023 = $33002 / 37841 = 0.872123 = 0.87: 1$

The analysis of the current ratio of the company AbbVie shows a figure of 0.87: 1 (AbbVie, 2023). As the current ratio of the company is lesser than 1.0, it can be determined that it has a poor liquid position. The current liabilities that it possesses are much higher as compared to its current assets. A comparison of the current ratio determined for Abbott Laboratories with that of AbbVie helps to see that AbbVie has a substantially lesser current ratio. The competitor of Abbott Laboratories has higher current debts than current debts but Abbott Laboratories has a sound liquid position. Therefore, it can be derived that relative to its competitor, the company has a much better liquidity.

Gearing ratio

Debt to equity ratio of AbbVie in 2023 = $124314 / 10397 = 11.95672 = 11.96: 1$

The analysis of the debt to equity ratio of the company AbbVie shows a figure of 11.96: 1 (AbbVie, 2023). This means that the financial gearing present within the company is extremely poor. The reason is that in this company, the current debts are almost 12 times more relative to the value of its total equity. However, when compared with Abbott Laboratories, one can observe that this company has a much better gearing. This can be observed as the debt to equity ratio of this company is much lower with equity being higher in value related to debts.

Efficiency ratio

Asset turnover ratio of AbbVie in 2023 = $54318 / 134711 = 0.403219 = 0.4$ times

The analysis of the asset turnover ratio of the company AbbVie shows that this ratio is 0.4 times in 2023 (AbbVie, 2023). Interpreting this ratio helps to summarise that this company has an extremely low asset turnover. A compare and contrast of this ratio with Abbott Laboratories helps to observe that even this company's ratio is low. However, even if low, Abbott Laboratories has a higher asset turnover.

Hence, a much better performance can be observed for the company Abbott Laboratories in comparison to that AbbVie, its main competitor. A better performance is seen in terms of not only profitability and liquidity but also financial gearing and efficiency. Hence, it can be determined that even though the profitability and efficiency of Abbott Laboratories are a little low, the company is performing substantially better relative to its competitors.

Recommendations on improving the financial management of the company

The financial ratios that are calculated for a company help in the interpretation of how strong or weak is its financial management (Kliestik *et al.*, 2020). This is because financial ratios reflect the financial performance of a company, which is influenced by the financial management strategies and measures adopted in its context. The analysis of the financial ratios conducted above for Abbott Laboratories helped in determining that the company has a good current ratio. This showed that the company's liquidity is good. The debt to equity ratio of the company is also lesser than 1.0, which proves that it has a good financial gearing. However, the asset turnover of the company is low. Besides this, the net profit margin of the company is satisfactory but not that high. This proves that the financial management existing within Abbott Laboratories is good. However, stronger and better financial management is needed within the company to ensure a better financial

performance in the upcoming years. The following is a list of the key recommendations provided for Abbott Laboratories to improve its financial management –

- To increase the profitability of Abbott Laboratories for the improvement of its financial management is ensuring that its revenues are higher than its expenses. Adoption of marketing and promotional activities and revising the pricing strategy are the two main measures recommended through the means of which the revenues of the company can be increased. Strong cost control measures such as standard costing must also be adopted to keep costs under control. This is going to lead Abbott Laboratories towards better revenues and controlled costs so that its profitability can be enhanced. Better profitability is going to help the company in ensuring improved financial management.
- The operating efficiency of Abbott Laboratories also needs to be improved for the improvement of the financial management of the company. One of the best ways in which the asset turnover ratio of this company can be improved is through increasing sales revenues, which can be done with the strategies outlined above. However, other strategies recommended to Abbott Laboratories are the improvement of the company's inventory management and selling off unproductive assets. Strong inventory management can help the company in improving its asset turnover, as inventories are also a part of its assets. Similarly, selling off unproductive assets can help the company in terms of getting rid of assets that are no longer needed, which can in turn enhance its asset turnover.

Apart from the recommendations provided above, the liquidity of Abbott Laboratories is recommended to be improved further through the means of paying off current liabilities efficiently. Other than this, the company should be cutting down its costs, making the usage of mostly long-term financing in addition to managing its payables and receivables. Recommendations are also provided on paying off debts more efficiently in addition to issuing new equity shares in the market to ensure the further improvement of the company's financial gearing.

Part C

1. Calculation of the Payback Period (PBP), Accounting Rate of Return (ARR) and the Net Present Value (NPV) of the project

There is a variety of techniques applied within companies for investment appraisal (Baum, Crosby and Devaney, 2021). These results are helpful in the determination of the financial viability of the investments of a company. Let it be considered that Abbott Laboratories has been taking into account the prospects of a variety of new opportunities of investment and has been able to identify two promising projects. These projects are mutually exclusive. The following is an application of a range of investment appraisal techniques to measure the viability of its two projects –

Payback period (PBP) calculation

Project A

	Net Cash Inflows	Cumulative Net Cash Inflows
Year 0	- £ 5,000	- £ 5,000
Year 1	£ 2,500	- £ 2,500
Year 2	£ 2,000	- £ 500
Year 3	£ 1,000	£ 500
Year 4	- £ 442	£ 58

Hence,

Payback period of Project A

= Last year with negative Cumulative Net Cash Inflows + (Deficit / Next year's net cash flows * 12 months)

= 2 + (500 / 1000 * 12 months)

= 2 years and 6 months

Project B

	Net Cash Inflows	Cumulative Net Cash Inflows
Year 0	- £ 1,000	- £ 1,000
Year 1	£ 1,500	£ 500
Year 2	£ 1,000	£ 1,500
Year 3	£ 1,000	£ 2,500
Year 4	- £ 470	£ 2,030

Hence,

Payback period of Project B

= Last year with negative Cumulative Net Cash Inflows + (Deficit / Next year's net cash flows * 12 months)

= 0 + (1000 / 1500 * 12 months)

= 8 months

Net Present Value (NPV) calculation**Project A**

	Net Cash Flows	Present Value Formula	Present Value of Net Cash Flows
Year 0	- £ 5,000		- £ 5,000
Year 1	£ 2,500	$2500 / (1 + 0.75)$	£ 1,428.57
Year 2	£ 2,000	$2000 / (1 + 0.75)^2$	£ 653.06
Year 3	£ 1,000	$1000 / (1 + 0.75)^3$	£ 186.59
Year 4	- £ 442	$442 / (1 + 0.75)^4$	- £ 47.13

Therefore,

Net Present Value (NPV) of Project A

= Present Value of Net Cash Inflows – Present Value of Net Cash Outflows

= £ 1,428.57 + £ 653.06 + £ 186.59 – £ 5000 – £ 47.13

= - £ 2778.9055

= - £ 2778.91

Project B

	Net Cash Flows	Present Value Formula	Present Value of Net Cash Flows
Year 0	- £ 1,000		- £ 1,000
Year 1	£ 1,500	$1500 / (1 + 0.75)$	£ 857.14
Year 2	£ 1,000	$1000 / (1 + 0.75)^2$	£ 326.53
Year 3	£ 1,000	$1000 / (1 + 0.75)^3$	£ 186.59
Year 4	- £ 470	$470 / (1 + 0.75)^4$	- £ 50.11

Therefore,

Net Present Value (NPV) of Project B

= Present Value of Net Cash Inflows – Present Value of Net Cash Outflows

= £ 857.14 + £ 326.53 + £ 186.59 – £ 1000 – £ 50.11

= - £ 320.14994

= - £ 320.25

Accounting Rate of Return (ARR) calculation

Project A

Details	Year 1	Year 2	Year 3	Year 4
Net Cash Inflows	£ 2,500	£ 2,000	£ 1,000	- £ 442
Less: Annual depreciation	£ -	£ -	£ -	£ -
Add: Residual value	£ -	£ -	£ -	£ -

Accounting profit	£ 2,500	£ 2,000	£ 1,000	- £ 442
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Average accounting profit = $(£ 2500 + £ 2000 + £ 1000 - £ 442) / 4 = 1264.5$

Initial investment = 5000

Therefore,

Accounting Rate of Return (ARR) of Project A

= Average accounting profit / Initial investment * 100

= $£ 1264.5 / £ 5000 * 100$

= 25.29%

Project B

Details	Year 1	Year 2	Year 3	Year 4
Net Cash Inflows	£ 1,500	£ 1,000	£ 1,000	- £ 470
Less: Annual depreciation	£ -	£ -	£ -	£ -
Add: Residual value	£ -	£ -	£ -	£ -
Accounting profit	£ 1,500	£ 1,000	£ 1,000	- £ 470

Average accounting profit = $(£ 1500 + £ 1000 + £ 1000 - £ 470) / 4 = 757.5$

Initial investment = 1000

Therefore,

Accounting Rate of Return (ARR) of Project B

= Average accounting profit / Initial investment * 100

= $£ 757.5 / £ 1000 * 100$

= 75.75%

The calculations made above help to derive that both the projects have a low payback. As opined by Hašková, Kučera and Kuchár (2022), the rule of decision-making present for the payback period methodology is that amongst two or more projects, the project with lowest payback must be chosen. Amongst the two projects evaluated above, payback is lower for Project B. However, Wang (2021) opined that the rule of decision-making present for the NPV methodology is that amongst two or more projects, the project with highest NPV is to be chosen. Even in the case of this methodology, NPV is higher for Project B. Conversely, Bhatnagar and Srivastava (2022) mentioned that the rule of decision-making present for the ARR methodology is that amongst two or more projects, the project with highest ARR is to be chosen. This methodology also shows that the ARR is higher for Project B. As a result, based on all the findings above, it is recommended for Abbott Laboratories to choose Project B for investment.

2. Recalculation of NPV

The calculation of the NPV of the two promising projects selected for Abbott Laboratories show that Project A has a negative NPV while Project B has a positive NPV. However, if changes are made in the initial investment of the two projects and their cash flows, changes can occur within the NPV results. The following is the NPV calculation for the two projects of Abbott Laboratories considering 10% increase in its initial investments and 10% decrease in its cash flows –

Project A

Years	Net Cash Inflows	Present Value Formula	Present Value of Net Cash Inflows
Year 0	- £ 5,500	1	- £ 5,500
Year 1	£ 2,250	$2250 / (1 + 0.75)$	£ 1,285.71
Year 2	£ 1,800	$1800 / (1 + 0.75)^2$	£ 587.76
Year 3	£ 900	$900 / (1 + 0.75)^3$	£ 167.93
Year 4	- £ 397.80	$397.8 / (1 + 0.75)^4$	- £ 42.41

Therefore,

Net Present Value (NPV) of Project A

= Present Value of Net Cash Inflows – Present Value of Net Cash Outflows

$$= \text{£ } 1,285.71 + \text{£ } 587.76 + \text{£ } 167.93 - \text{£ } 5500 - \text{£ } 42.41$$

$$= - \text{£ } 3501.0149$$

$$= - \text{£ } 3501.01$$

Project B

Years	Net Cash Inflows	Present Value Formula	Present Value of Net Cash Inflows
Year 0	- £ 1,100	1	- £ 1,100
Year 1	£ 1,350	$1350 / (1 + 0.75)$	£ 771.43
Year 2	£ 900	$900 / (1 + 0.75)^2$	£ 293.88
Year 3	£ 900	$900 / (1 + 0.75)^3$	£ 167.93
Year 4	- £ 423	$423 / (1 + 0.75)^4$	- £ 45.10

Therefore,

Net Present Value (NPV) of Project B

$$= \text{Present Value of Net Cash Inflows} - \text{Present Value of Net Cash Outflows}$$

$$= \text{£ } 771.43 + \text{£ } 293.88 + \text{£ } 167.93 - \text{£ } 1100 - \text{£ } 45.10$$

$$= \text{£ } 88.134944$$

$$= \text{£ } 88.13$$

The interpretation of the above result helps to determine same results, as the NPV is negative for Project A with a further decrease in the figure. A decrease can also be seen in the NPV of Project B. However, the NPV of this project is still positive. This proves that Project B is profitable even under the changed scenario. Thus, Project B should be selected in Abbott Laboratories.

3. Critical discussion on the advantages and shortcomings of the PBP, ARR and NPV techniques as ways of evaluating capital projects

The financial viability of the capital projects of a company can be evaluated by the medium of various investment appraisal techniques. However, in each of the investment appraisal techniques

applied and evaluated above, there are various benefits along with shortcomings. According to Sohani *et al.* (2021), the main benefits associated with the PBP technique are that the technique is simple to understand. The technique is also easy to calculate and accounts for the risks related to a project. However, the shortcomings identified within the technique are that it accounts only for cash flows and does not account for the timing of cash flows or project size (Zhang, 2021). Since it does not consider project profitability, the technique is often indicated as unrealistic. According to Holland *et al.* (2021), the main benefits associated with the NPV technique are that it accounts for the “time value of money” concept, unlike the PBP technique. Moreover, it ends up accounting for all the relevant cash flows that take place throughout a project’s useful life.

However, the shortcomings identified within the technique are that the cost of capital that needs to be accounted in the NPV technique is difficult to determine (You, 2021). Moreover, cost of capital might be changing over a project’s life instead of being constant. According to Onyekachi *et al.* (2021), the main benefits associated with the ARR technique are that it helps in the derivation of the annual rate of return related to a project. Moreover, it clearly shows the profitability of projects based on the accounting profit that it can generate. However, the shortcomings identified within the technique are that the technique is unable to take into consideration the timing of profits generated from a project. It also has the shortcoming of being unable to account for the “time value of money” concept.

4. Discussion on non-financial factors management needs to consider.

The investment appraisal techniques applied and discussed above consider mainly the financial aspects of a project. However, several non-financial factors also need to be considered by the management of a company. According to Kristi and Yanto (2020), non-financial factors need to be considered in investment decisions, as these factors often affect the execution and return generation from projects. The main non-financial factors, which the management of Abbott Laboratories need to be consider for making its investment decision are the following –

- Accomplishing the requirements of present along with future legislations
- Enhancing organisational reputation and relations existing with the local community
- Matching the standards of the industry and maintaining good practice
- Improving employee morale to ensure correct execution of project
- Enhancing the relations existing with customers and suppliers

- Developing the abilities of the business, for example, enhancing skills and experiences in new areas
- Estimating and dealing with the threats to be encountered in the future, for example, protecting intellectual property relative to potential competition

If the management of Abbott Laboratories makes decisions based on these non-financial factors, it is likely to accomplish success in its new project.

Conclusion

Hence, from the discussions made within this report, it can be derived that financial ratios and investment appraisal are the two most important metrics concerned with the financial management of companies. The findings show that the overall financial management at Abbott Laboratories is satisfactory. However, the profitability of the company along with its efficiency needs to be improved. Moreover, it could also be determined that Abbott Laboratories has a much better and stronger financial management than its key competitor in the pharmaceutical industry, which is AbbVie. On the other hand, it can be determined that Project B is a much better investment opportunity for the company Abbott Laboratories. This project is determined as a profitable one even when changes occur in initial investment and cash flows. However, it could be identified that alongside benefits, investment appraisal techniques have certain shortcomings as well. Lastly, employee engagement and a range of other non-financial factors, which affect financial decision-making, could be identified.

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