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Samsung Vs Apple- An Investment Decision Based on Financial Analysis:

Over the years Samsung has changed and grown. The Korean word Samsung means three stars and the name reflects the founder Lee Byung-Chills vision for the company. Samsung was founded in 1969. The word star means bright, lofty and eternally shining while the word three means large, plentiful and strong. (“Heritage | Brand Identity | About Us | Samsung US”)

Since Then, we have Been Marching Toward a Whole Universe of Possibilities. (“Amazon.com: SAMSUNG”) We are eager to tell everyone about the history of the Samsung brand and the unfolding of events. Come Discover Samsungs Milestones and the Development of the Samsung Logo Through Time. (Samsung)

Samsung is dedicated to abiding by regional laws and ordinances and enforcing a stringent worldwide code of conduct for all workers. According to Company Info | About Us | Samsung SG ethical management is a means of fostering trust among the company's many stakeholders which include clients' shareholders, staff members, business partners and local communities in addition to being a tool for adapting to the swiftly changing global business landscape. Samsung keeps up its training programs checking systems and fair and open corporate governance to rank among the world's most ethical businesses. (“Leadership & Mission | About Us | Samsung US”)

Samsung Mission & Approach:

Samsung has a straightforward business philosophy: to use its skills and resources to produce goods and services that enhance the lives of people everywhere. Samsung puts a high value on its people and technologies to carry out this. (“Leadership & Mission | About Us | Samsung US”)

Five Samsung business principles:

Announcing the Five Samsung Business Principles in 2005 Samsung Electronics proved its dedication to corporate social responsibility as a global leader in the industry. Its global code of conduct, which follows legal and ethical requirements and enables it

to fulfill its corporate social responsibilities, is based on these principles. (“Leadership & Mission | About Us | Samsung US”)

Innovation By Recent Years:

2019

Unveiled: Robotics Platforms for the AI Future Samsung BOT. unveiled Together for Tomorrow! Enabling People to have a new corporate social responsibility vision. Released the EUV-Based 5nm Process Technology the Galaxy Fold a 5G smartphone that created a whole new mobile category and finished developing the 5G smartphone.

2020:

launched the Galaxy Z Flip and Galaxy Z Fold2 with innovative factors and unveiled the 110 Samsung MICRO LED. 6G White Paper was released and the Generation 17 Program was started in collaboration with the UNDP and IOC and Samsungs Olympic partnership was extended until 2023.

2021:

Developing the first 14nm-based 16GB LPDDR5X DRAM in the industry, Neo QLED TVs unveiled an AI-powered robotic vacuum cleaner, announced the opening of a new semiconductor fabrication site in Taylor Texas and placed fourth in the WBAs 2021 Digital Inclusion Benchmark.

2022:

Launched the world's first 3 nm process node using the GAA transistor architecture. Held the first Samsung 6G forum with the theme The Next Hyper-Connected Experience for Everyone... Samsung Smart TVs and Smart Monitors now have access to the Samsung Gaming Hub Service. Started Testing the Sectors First 16GB GDDR6 DRAM Started Building a New Semiconductor R&D Facility in Gi Heung Korea Hoping to Maintain Leadership and Unveiled a New Environmental Plan.

2023:

With a brand value of \$91434 billion (about \$280,000 per person in the US) it was ranked as one of the top 5 global brands for the fourth consecutive year and topped the global TV market for the seventeenth consecutive year. began mass producing the most advanced DRAM in the industry, the 12nm class. Gold for Bespoke Infinite Line of Kitchen Appliances was one of the 80 awards that Samsung won at the 2023 iF Design Awards. a smart residential community in Sweden was given Net Zero Home Solutions.

These are some innovations which happened in the last five years by Samsung.

Financial Analysis of Samsung:

Recent Revenue Performance:

2023 Revenue is Approximately \$240 Billion.

Thanks to its wide range of products Samsung has proved consistent revenue growth in recent years. The semiconductor division, consumer electronics and display panels all perform admirably, which helps the company. Samsung's semiconductor division which produces processors and memory chips accounts for a sizable part of the company's revenue. Devices like TVs, smartphones and home appliances are examples of consumer electronics. Network systems, mobile phones and related IT services are all included in IT and mobile communications.

Operating Expenses:

Total Operating Expenses Approximately \$50 Billion in 2023. Around \$ 20 Billion, Reflecting Samsung's Commitment to innovation and technological advancement.

Expenditure: Samsung's substantial investment in research and development supports its leadership in technology and innovation.

Sales & marketing: Significant spending on marketing and sales to keep its competitive edge in the market.

General & Administrative Costs: Includes Management expenses, administrative support, and other operational costs.

Cash Flows and Liquidity:

In the year 2023, Cash reserves Approximately \$ 90 billion and Free Cash flow is Approximately \$ 25 Billion.

Samsung's strong cash position provides significant financial flexibility, enabling the company to invest in modern technologies, expand operations and manage economic uncertainties effectively.

Market Capitalization and Valuation:

2023 Market Cap is Approximately \$ 300 Billion.

Price-to-Earning: Around 10, reflecting a moderate valuation compared to industry peers.

Price-to-Sales: Approximately 1.25, showing a reasonable valuation compared to revenue.

Samsung's Financial performance highlights its strengths in innovation, diversification, and profitability. The Company's substantial revenue and profit margins are supported by its leading position in semiconductors and consumer electronics. With a strong emphasis on R&D and a robust cash position, Samsung is well-positioned to have a complete edge in the global market.

In Comparison,

Apple Revenue is Significantly higher than Samsung's, Reflecting its dominance in the high margin consumer electronics market, particularly with the iPhone. However, Samsung benefits from a more diversified revenue stream across different sectors.

Apple's net income and profit margins are higher than Samsung's. Apple Focus on high-margin products and services contributes to its stronger profitability. Samsung's profit margins are lower due to its involvement in more capital-intensive and lower margin such as semiconductors and home appliances.

Both Companies invest high in R&D, but Apple's overall operating expenses are higher. Apple's R&D spending as a percentage of revenue is slightly higher, reflecting its focus on innovation in consumer electronics and services. Samsung's R&D investment is significant, especially in semiconductors and display technology, contributing to its leadership in these areas.

Samsung holds more cash and cash equivalents than Apple. This substantial cash reserve allows Samsung flexibility in investments, acquisitions and navigating economic downturns. Despite having less Cash, Apple continues to generate strong cash flows from operations, supporting its dividend payments and stock buybacks.

Apple's Market capitalization is vastly higher than Samsung's, reflecting its dominant position in the technology market, strong brand equity and investor confidence. Apple's market value benefits from its consistent financial performance, innovative product line, and significant share in the high margin smartphone market.

Excels in diversification and cash reserve of Samsung significant investment in semiconductors and display technology.

By Comparing these financial matrices, both companies are industry leaders, but Apple has a stronger financial position and market presence, particularly in consumer electronics, while Samsung's strengths lie in its diversified documents and cash holdings.

(Samsung, "Audited Financial Statement | Financial Information | Investor Relations | Samsung Global")

("Apple (AAPL) Financial Statements, Cash Flow and Balance Sheet - TipRanks.com")

Liquidity Ratio:

One financial ratio used to assess a company's capacity to settle its immediate debt is the liquidity ratio. A company's ability to use its liquid or current assets to pay its current liabilities can be found using this measure.

The current ratio, quick ratio and cash ratio are the three most often used liquidity ratios. The amount of current liabilities is put in the denominator and the amount of liquid assets is put in the numerator of each liquidity ratio calculation. Ratios above 1 point0 are wanted because of the way the ratio is structured with assets at the top and liabilities at the bottom. An exact payoff of all current liabilities with current assets is shown by a ratio of 1. Less than one (e.g., 0. 75) would suggest that a business cannot pay its current debts. (CFI Team)

Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

2019	2020	2021	2022	2023	2023 (Apple)
2.84	2.62	2.48	2.79	2.59	0.95

This ratio assesses how well a business can use its current assets to meet short-term obligations. In general, strong short-term financial health is shown by a ratio greater than 2. Over time Samsung's liquidity has improved as shown by the steady increase in its current ratio which went from 2. 05 in 2019 to 2. 45 in 2023.

In Apple, This Indicates That Apple has \$0.95 in Current Assets for every \$1 of Current Liabilities, Showing a Low level of Short-term Liquidity.

Quick Ratio:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liability}}$$

2019	2020	2021	2022	2023	2023 (Apple)
2.42	2.20	2.01	2.12	1.91	0.80

The quick ratio is stricter than the current ratio and takes inventory out of current assets. Overall, a quick ratio greater than 1 is helpful. Indicating stronger short-term financial health excluding inventory Samsung's quick ratio increased from 1.85 in 2019 to 2.05 in 2023.

In Apple, the quick ratio, which excludes inventory, shows that Apple has \$0.80 in liquid assets for every \$1 of current liabilities. This suggests a tight liquidity position, but it is common for a large, cash-rich company like Apple.

Cash Ratio:

$$\text{Cash Ratio} = \frac{\text{Cash}}{\text{Current Liability}}$$

2019	2020	2021	2022	2023	2023 (Apple)
0.42	0.39	0.44	0.63	0.91	0.95

This ratio evaluates how well a business can use cash and cash equivalents to settle short-term debt. With an increase in cash holdings compared to short-term liabilities Samsung's cash ratio increased from 0.70 in 2019 to 0.90 in 2023.

All these ratios point to Samsung having strengthened its liquidity and decreased its leverage over the previous five years putting it in a strong position to fulfill its short-term commitments and efficiently control its debt levels.

In Apple, not explicitly provided, but with cash and marketable securities at \$153.04 billion (about \$470 per person in the US) and total current liabilities of approximately \$161 billion (about \$500 per person in the US), the cash ratio would be around 0.95, close to the current ratio. Not explicitly provided, but with cash and marketable securities at \$153.04 billion and total current liabilities of approximately \$161 billion, the cash ratio would be around 0.95, close to the current ratio.

When compared to Apple Samsung usually has a stronger liquidity position. With more liquid assets than liabilities Samsung appears to have more short-term financial flexibility as shown by its higher current and quick ratios. Despite being strong as well Apple tends to keep slightly lower liquidity ratios due to its extensive share repurchase and investment strategies.

Future Recommendation for Improve Liquidity & Financial Flexibility:

To increase liquidity Samsung needs to perfect its working capital management. Improving receivables and payables, shortening the cash conversion cycle, and improving inventory management are all part of this. The company will have enough cash on hand to pay short-term debts and make investments in expansion prospects if working capital management is done well.

Boost Cash Reserves: By keeping cash reserves at a healthy level Samsung will be better equipped to weather economic downturns, absorb strategic acquisitions, and invest in modern technologies. Even though Samsung has a proficient level of liquidity, increasing its cash reserves would increase its adaptability.

Profitability:

The ability of a business to create income (profit) in relation to revenue balance sheet assets, operating costs and shareholders' equity over a given time is measured and assessed by analysts and investors using profitability ratios. They prove how well a business makes use of its resources to generate revenue and add value for investors.
(Vipond)

As a higher ratio or value typically shows that the business is running profitably and generating cash flow most companies strive for it. When the ratios are examined in relation to other companies or earlier times, they are most helpful. The profitability ratios that are most often used are looked at below.

There is main three Margin Ratio Comes Under Profitability Ratio, which includes Gross Profit Margin, Operating Profit Margin and Net Profit Margin

Gross Profit Margin:

$$GROSS\ PROFIT\ MARGIN = \frac{GROSS\ PROFIT}{REVENUE} \times 100$$

2019	2020	2021	2022	2023	2023 (Apple)
38.5%	37.3%	39.6%	37%	30.2%	45.9%

Throughout the last five years Samsung's gross profit margin has typically varied between 37 and 40 percent. The graph shows how well the business has been able to control its production costs in relation to its sales. Due to the high demand for its semiconductor products and consumer electronics, particularly smartphones, the company's gross profit margin increased in 2020 and 2021.

In Apple, this reflects a substantial part of Apple's strong pricing power and efficiency in cost management.

Operating Profit Margin:

$$OPERATING\ PROFIT\ MARGIN = \frac{OPERATING\ PROFIT}{REVENUE} \times 100$$

2019	2020	2021	2022	2023	2023 (Apple)
15.3%	16.6%	18.0%	14.0%	30.%	31.27%

Samsung's Operating Profit Margin shows the efficiency of the company in managing its operating expenses. The peak in 2021 reflects the impressive performance in their semiconductor division, which helped boost operating income despite global supply chain challenges. The slight dip in 2022 shows increased competition and rising operational costs.

In Apple, this shows Apple's ability to generate profit from its operations before taxes and interest.

Net Profit Margin:

$$NET\ PROFIT\ MARGIN = \frac{NET\ PROFIT}{REVENUE} \times 100$$

2019	2020	2021	2022	2023	2023 (Apple)
09%	11%	14%	18%	07%	26.44%

The Net Profit Margin, which accounts for all expenses, including taxes and interest, has still been stable, hovering around 14% to 16%. The highest in 2021 reflects strong sales and cost control, while 2022 saw a normalization of profit margins due to increased expenses and competitive pressures.

In Apple, Reflecting the overall Profitability After all Expenses, Taxes and Interest have been deducted.

Though Apple often beats Samsung in terms of Net Profit Margin and Gross Profit Margin Samsung still shows impressive profitability. Because of its premium pricing strategy and strong brand loyalty Apple typically has a higher gross profit margin and higher product profitability. Samsung can sustain strong profitability, thanks to its diverse range of products, especially in semiconductors.

Future Recommendation for Enhancing Through Innovation and Premiumization:

Emphasis on High-Margin Products Samsung should keep its focus on high-margin products, especially in its mobile and semiconductor businesses. Profit margins can rise by growing the premium market in a manner akin to Apples. This entails utilizing 5G AI (Artificial Intelligence) and IoT innovative technology to produce unique products that fetch higher prices.

Research and development (R&D) should be continuously funded to stay ahead of the innovation curve. Samsung should distribute a higher percentage of its revenue to R&D to keep its leadership in technology and drive long-term profitability. In rapidly developing industries like semiconductors where technological leadership can directly translate into higher margins this is especially crucial.

Leverage Ratio:

Leverage ratios are any of several financial metrics that examine the amount of capital in the form of debt (loans) or evaluate a company's ability to pay its debts. Because businesses use a combination of debt and equity to fund their operations, the leverage ratio category is crucial because it helps decide a company's ability to repay debt as it becomes due. (Hayes)

Leverage ratios are just one type of financial metric used to evaluate a company's capacity to pay its debts. To decide how changes in output will affect operating income a company's operating expense mix can also be measured using a leverage ratio.

The degree of financial leverage equity multiplier debt-to-equity ratio and consumer leverage ratio are examples of common leverage ratios. Regulations governing banks' permissible levels of leverage are in place.

Debt to Equity:

$$DEBT\ EQUITY\ RATIO = \frac{TOTAL\ DEBT}{TOTAL\ EQUITY}$$

2019	2020	2021	2022	2023	2023 (Apple)
0.30	0.27	0.26	0.23	0.21	1.52

From zero in 2019 to zero in 2023 the debt-to-equity ratio has decreased. This suggests that Samsung has been relying less on debt over time which may be encouraging to investors. Because it depends more on equity financing than debt, a lower debt to equity ratio shows that the company is becoming less leveraged and less risky. This pattern shows that Samsung is improving its financial standing by reducing debt and raising equity through retained earnings and other sources.

In Apple, Apple's Debt is 1.52 times its Equity, showing a significant reliance on Debt financed through debt.

Debt of Capital:

$$DEBT\ CAPITAL\ RATIO = \frac{TOTAL\ DEBT}{TOTAL\ EQUITY + TOTAL\ DEBT}$$

2019	2020	2021	2022	2023	2023 (Apple)
0.23	0.22	0.20	0.19	0.17	0.60

From 0 points 23 in 2019 to 0 points 17 in 2023 the debt to capital ratio has decreased. About its total capital, which consists of debt and equity, this decline implies Samsung is using less debt. With less risk attached to its capital structure a company with a lower debt to capital ratio is in a stronger financial position. It also shows that equity as opposed to debt carries a lesser financial risk accounting for a bigger share of Samsung's capital.

In Apple, This Reflects that a substantial part of Apple's capital structure is financed through debt.

Apple typically has a higher debt to equity ratio than Samsung which is indicative of the company's increased reliance on debt financing to pay for dividends and share buybacks. A stronger balance sheet and reduced financial risk are shown by Samsung's more cautious strategy and lower leverage which can be important during recessions.

Future Recommendation for Manage Leverage Prudently:

Although Samsung has kept its Debt-to-Equity Ratio low the proportion of debt-to-equity financing needs to be carefully considered. If the return on strategic investments outweighs the cost of debt it might be helpful to use more debt in an environment where interest rates are low. But keeping a cautious approach to leverage will keep the business safe from market fluctuations.

Efficiency Ratio:

Efficiency ratios are essential measurements in cost accounting and financial analysis because they show how well a business uses its resources and personnel. Efficiency ratios which compare expenses to revenue show how well a business is performing. It is an important gauge of the business operational strength and financial stability and often reflects the efficacy and efficiency of the management team. (“Efficiency Ratio”)

Efficiency ratios can take many different forms, and each one provides a unique perspective on how well the business runs. These ratios are essential for deciding areas of strength and areas that could be used for improvement. Among the most popular ratios are the following:

Assets Turnover:

$$ASSETS\ TURNVER = \frac{REVENUE}{TOTAL\ ASSET}$$

2019	2020	2021	2022	2023	2023 (Apple)
0.29	0.31	0.33	0.35	0.36	1.12

From 0.29 in 2019 to 0.36 in 2023 the asset turnover has increased. This improvement shows that Samsung has been able to increase its revenue over time per dollar of assets. The company is becoming more adept at using its assets to generate income, which is shown by an increasing asset turnover ratio. This pattern could be the result of increased resource efficiency investments in high-yielding assets or improved asset management.

In Apple, Apple generates \$1.12 in revenue for every dollar of assets, showing efficient use of its assets to generate sales.

Fixed Assets Turnover:

$$FIXED\ ASSETS\ TURNOVER = \frac{REVENUE}{FIXED\ ASSET\ (PPE)}$$

2019	2020	2021	2022	2023	2023 (Apple)
0.67	0.71	0.75	0.79	0.82	-

From 0.67 in 2019 to 0.82 in 2023 the Fixed Asset Turnover ratio has increased. This increasing pattern suggests that Samsung has improved the way it uses its fixed assets to produce income. Greater Fixed Asset Turnover shows that the business is making more money from its long-term asset investments. This could be the result of enhanced production procedures, increased ability usage or better fixed asset management.

In Apple, not explicitly provided, but given the asset turnover and the nature of Apple's operations, this would be higher than the overall asset turnover, showing high efficiency in using its fixed assets.

Apple has higher efficiency ratios than Samsung, especially when it comes to asset turnover, which shows it makes more money per dollar of assets. Apple's extremely

profitable ecosystem and its ability to produce significant sales from a narrowly focused product line are the main drivers of this efficiency. Samsung has slightly lower but still strong efficiency ratios because of its wider product offering and capital-intensive semiconductor business.

Future Recommendation for Increase Operational Efficiency:

Samsung should keep funding these initiatives throughout its production lines. Samsung may boost production ability, cut expenses, and improve operational efficiency without raising fixed costs by implementing innovative technologies like artificial intelligence, machine learning and robotics.

Putting a focus on sustainability in daily operations can save money over time. Samsung may cut operating costs and improve its brand image by drawing in more environmentally conscious customers by making investments in waste reduction and energy-efficient technology.

Given the circumstances Samsung and Apple are both extremely prosperous and financially secure businesses, but they get there by using different approaches. Apples high-end product pricing and devoted customer base contribute to its exceptional profitability and efficiency. Assuring flexibility and stability in its finances Samsung on the other hand keeps strong liquidity and uses conservative leverage. With its diverse operations and robust financial position Samsung is well-positioned to withstand a range of market conditions even though Apple may have higher margins.

Investment Appraisal:

The company's cost of capital is currently at 9.75 per cent.

All cash flows arise at year ends and ignore taxation and inflation.

The company you chose in part A has been researching the prospects for a range of new investment opportunities.

The cash flow details of two promising projects A and B (which are mutually exclusive) are given below:

Year	0	1	2	3	4
A	-80	25	25	20	55
B	-75	50	20	20	20

Cumulative Cash Flow:

Year	A	Cumulative Cash
0	-80	-80
1	25	-55
2	25	-30
3	20	-10
4	55	45

Year	B	Cumulative Cash
0	-75	-75
1	50	-25
2	20	-5
3	20	15
4	20	35

Company A:

Net Profit Value:

$$NET\ PROFIT\ VALUE = RT - INVESMENT$$

RT= Revenue in Total

$$Net\ Profit = (25+25+20+55) - 80 = 45$$

ARR (Accounting Rate of Return):

$$AR = \frac{TOTAL\ PROFIT}{TOTAL\ YEARS}$$

$$ARR = \frac{ACCOUNTING\ RATE}{TOTAL\ INVESTMENT}$$

$$AR = \frac{45}{4}$$

$$AR = 11.25$$

$$ARR = \frac{11.25}{80}$$

$$=0.14$$

$$ARR= 0.14$$

PBP (Payback Period):

$$PBP = YEAR + \frac{INITIALINVESTMENT}{Annual\ Net\ Cash\ Flow}$$

$$PBP = 3 + \frac{10}{55} = 3.18$$

PBP for Company A= 3.18Year

Company B:

Net Profit Value:

RT= Revenue in Total

Net Profit= (50+20+20+20)-75 =35

ARR (Accounting Rate of Return):

$$AR = \frac{35}{4}$$

= 8.5

$$ARR = \frac{8.5}{75}$$

= 0.11

ARR= 0.11

Payback Period:

$$PBP = 2 + \frac{5}{20} = 2.25$$

PBP for Company B= 2.25 Year

Discounted Cumulative Cash of Project A & B:

$$PRESENT\ VALUE = FUTURE\ \frac{VALUE}{(1+R)^N}$$

$$CUMULATIVE\ CASH = INITIAL\ INVESTMENT + DISCOUNTED\ PRESENT\ VALUE$$

Year	A	Discounted Present Value	Cumulative Cash
0	-80	-80	-80
1	25	22.93	-57.06
2	25	21.04	-36.02
3	20	15.44	-20.58
4	55	38.96	18.38

Year	B	Discounted Cash	Cumulative Cash
0	-75	-75	-75
1	50	45.87	-29.12
2	20	16.83	-12.29
3	20	15.44	3.15
4	20	14.16	17.32

Advantages & Shortcoming:

Payback Period:

Advantages: The PBP (Payback Period) method is simple to compute and understand. It merely calculates the amount of time needed for the investment to produce enough cash flows to cover the original outlay. Because of its simplicity it is a useful tool particularly for managers or small businesses who want quick clear metrics. (Attrill & McLaney, 2018)

Shortcomings: The PBP method's failure to take the time value of money into consideration is one of its main criticisms. The treatment of cash flows that occur later in a project's life cycle equally with those that occur earlier can result in inaccurate assessments of a project's profitability. (Brealey, Myers, & Allen, 2019)

Accounting Rate of Return:

Advantages: PBP ARR is easy to calculate and understand. It has the advantage of using accounting profits for quick evaluations as opposed to cash flows which managers may find more accessible and familiar.

Shortcoming: Like PBP time, the value of money is not considered by the ARR method. Because of this restriction the profitability of long-term projects may be overestimated.

Net Present Value:

Advantages: By discounting future cash flows to their present value net present value (NPV) accounts for the time value of money. This ensures that all future cash flows are valued appropriately and makes it a more correct way to measure the value of a project.

Shortcoming: In contrast to PBP and ARR NPV is more difficult to compute and understand. Estimating future cash flows and choosing a suitable discount rate are necessary but they can be difficult and fraught with uncertainty.

Non-financial Factors:

In addition to financial metrics, non-financial factors play a crucial role in capital project evaluation. These include:

Strategic Alignment: A project's alignment with the company's long-term strategic goals is critical. Even if a project shows a positive NPV, it may not be pursued if it does not align with the company's strategic direction or core competencies.

Regulatory and Legal Consideration: Its crucial to abide by legal and regulatory obligations. Regardless of its financial viability a project that exposes the business to regulatory risks may be rejected.

Social and Environmental Impact: Businesses increasingly need to think about how their projects will affect society and the environment. Project choice may be influenced by sustainability aims, corporate social responsibility (CSR) and stakeholder pressure.

(Kaplan & Norton, 2004) (Drury, 2018)

When assessing capital projects, the PBP ARR and NPV methodologies each have benefits and drawbacks. Although PBP and ARR are user-friendly, they do not consider the time value of money and may not be in line with the goal of perfecting shareholder wealth. The most reliable project evaluation approach is net present value (NPV), which is more complicated but offers a thorough analysis by considering all cash flows and the time value of money.

Investment choices should not however be made solely based on financial data. To make sure that projects contribute to the long-term success of the business, non-financial factors such as organizational culture, social impact, regulatory considerations and strategic alignment are just as significant as financial ones.

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