

International Financial Management

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Introduction

The report will be focusing on the importance of international financial management to the corporation chosen. The report will critically evaluate and analyse the importance of financial management internally to the chosen corporation. The challenges will be discussed that are faced by the chosen organisation in the different financial markets internationally. The report will discuss the chosen organisation's policy of dividend distribution. It will critically analyse the theory of efficient market hypothesis related to the chosen organisation. The report will discuss the organisation's method of appraising projects.

The chosen organisation is Burberry is a luxury fashion company based in London, England. It was founded in 1856 by Thomas Burberry, who revolutionized rainwear by inventing gabardine, a waterproof and breathable fabric. Today, Burberry is known for its high-quality clothing, accessories, and fragrances for men, women, and children. The brand is recognized for its iconic tartan pattern, which is featured on many of its products, including its famous trench coats. Burberry has a global presence, with stores and franchises located around the world. In addition to its fashion offerings, the company also operates in the beauty and home sectors (Silvano, 2020).

Critical evaluation and analysis of Burberry dividend distribution policy

Burberry Group plc is a luxury fashion company that designs, manufactures, and sells clothing, accessories, and home products. The company operates in four segments: fashion and accessories, beauty, eyewear, and home. Burberry has a history of paying dividends to shareholders, and its dividend distribution policy is an important aspect of the company's overall financial strategy.

One of the key considerations in Burberry's dividend distribution policy is the company's financial performance (Pardal, 2021). In order to pay dividends, a company must have sufficient profits and cash flow. Burberry has generally performed well financially, with consistent revenue and profit growth in recent years. In the fiscal year 2021, the company reported revenue of £2.7 billion (about \$3.7 billion) and adjusted operating profit of £424 million (about \$581 million). This financial performance has allowed the company to maintain a steady dividend payout ratio, which measures the amount of earnings that are paid out as dividends.

Another factor that may influence Burberry's dividend distribution policy is the company's capital requirements. Burberry may need to retain some of its profits in order to fund ongoing operations, invest in new products and technologies, or pursue growth opportunities. The company may also need to set aside funds to meet any potential financial challenges or uncertainties. Burberry has a strong balance sheet and a solid credit rating, which may give it the flexibility to pay dividends while also preserving financial stability (Hoffmann, and Marriott, 2019).

In addition, Burberry's dividend distribution policy may be influenced by its dividend yield, which is a measure of the return that shareholders receive from the dividends they receive. A high dividend yield may be attractive to investors, as it can provide a steady stream of income. However, a high dividend yield may also indicate that the company's stock price is undervalued or that the company is not generating sufficient profits to sustain the dividend. Burberry's dividend yield has been relatively stable in recent years, hovering around 2-3% (Kucera, and Barcia., 2019).

Overall, Burberry's dividend distribution policy appears to be well-balanced, taking into account the company's financial performance, capital requirements, and dividend yield. The company has a track record of paying dividends and has demonstrated the ability to generate consistent profits and cash flow. However, it is important to note that the company's dividend

distribution policy may change in the future, depending on a variety of factors such as market conditions, competition, and the company's financial outlook.

Critically analysis of the efficient hypothesis theory of Burberry operation

The efficient market hypothesis (EMH) is a theory that suggests that financial markets are efficient, meaning that prices reflect all available information about an asset and that it is impossible for investors to consistently outperform the market. It states the prices of a share indicate that generation of consistent alpha generation and information is unattainable. This shows the prices of stocks are always at a certain value whenever the exchange occurs theory has three main forms: weak, semi-strong, and strong (Bertone, 2022).

In the context of Burberry's operation, the EMH suggests that the prices of Burberry's stocks reflect all publicly available information about the company and its operations, including its financial performance, management, and market conditions. This means that it is difficult for investors to consistently earn abnormal returns by trading Burberry's stocks, as the market has already incorporated all relevant information into the stock price.

However, there are several criticisms of the EMH that may be relevant to Burberry's operation. One criticism is that the EMH assumes that all investors have equal access to information and the ability to process that information, which may not be the case in practice. Additionally, the EMH does not take into account the role of emotions and behavioural biases in financial decision-making, which can lead to irrational market movements.

Overall, while the EMH provides a useful framework for understanding how financial markets operate, it is important to recognize its limitations and the potential for other factors to influence market prices.

Critical evaluation and analysis of Burberry's methods of appraising projects

Burberry is a luxury fashion company based in London, England. The company is known for its high-quality clothing, accessories, and fragrances. Burberry has a history of using innovative methods to appraise projects and make business decisions (Zhang, 2022).

One of the key methods that Burberry uses to appraise projects is financial analysis. This involves evaluating the potential costs and benefits of a project, including the upfront investment required, the expected return on investment (ROI), and the potential risks involved. Burberry may use a variety of financial tools, such as discounted cash flow analysis, to help make informed decisions about which projects to pursue.

In addition to financial analysis, Burberry also takes into account other factors when appraising projects. These may include the potential impact on the company's brand image, the alignment of the project with the company's strategic goals and values, and the potential for long-term growth and sustainability.

Burberry also places a strong emphasis on innovation and creativity when evaluating projects. The company encourages its employees to think creatively and come up with new ideas that could drive business growth. Burberry has a dedicated innovation team that is responsible for identifying and developing new opportunities for the company (Poluru, and Tiwari, 2022).

In summary, Burberry uses a combination of financial analysis, strategic alignment, and innovation to appraise projects and make informed business decisions. This approach helps the company to identify and pursue opportunities that are in line with its goals and values, while also ensuring that it is financially sustainable in the long term.

So the most important step is to do the financial analysis while selecting any project, then comes the potential risks which are involved in the project. After investing how much return company will get is the main concern and the opportunities which company is going to get after completion of the chosen project. The innovation team is also there which Burberry has made for development purpose. The required investment is one of the important factor while accepting any project. As the timely completion of project is necessary. It affects the relationship as well as the goodwill of the company. Considering all these factors the company decides whether to invest in the company or not. The main purpose of the organization is profit.

Conclusion

The report focused on the importance of international financial management to the corporation chosen. The report critically evaluated and analyse the importance of financial management internally in Burberry. The challenges have been discussed that are faced by Burberry in the different financial markets internationally. The report discussed the Burberry policy of dividend distribution. It will critically analyse the theory of efficient market hypothesis related to Burberry. The report will discuss Burberry's method of appraising projects.

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