



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Name: Md Sonet Islam

Student ID: 2504936

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Lecturer's Name: Dr Shengfeng Mei

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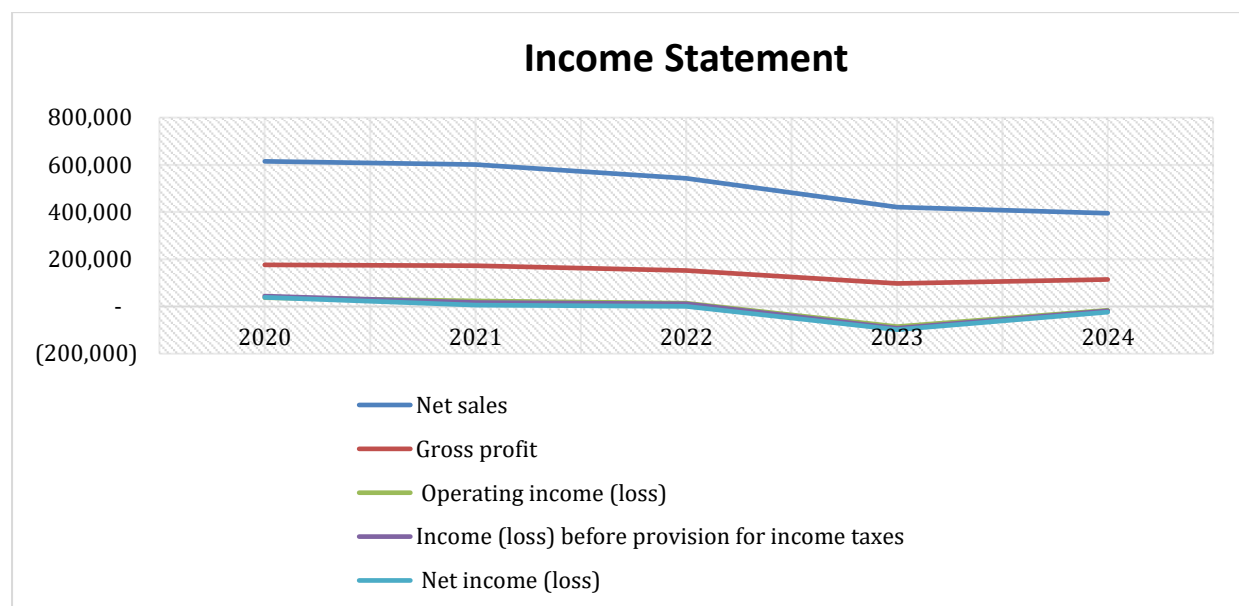
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1. Financial Health Check

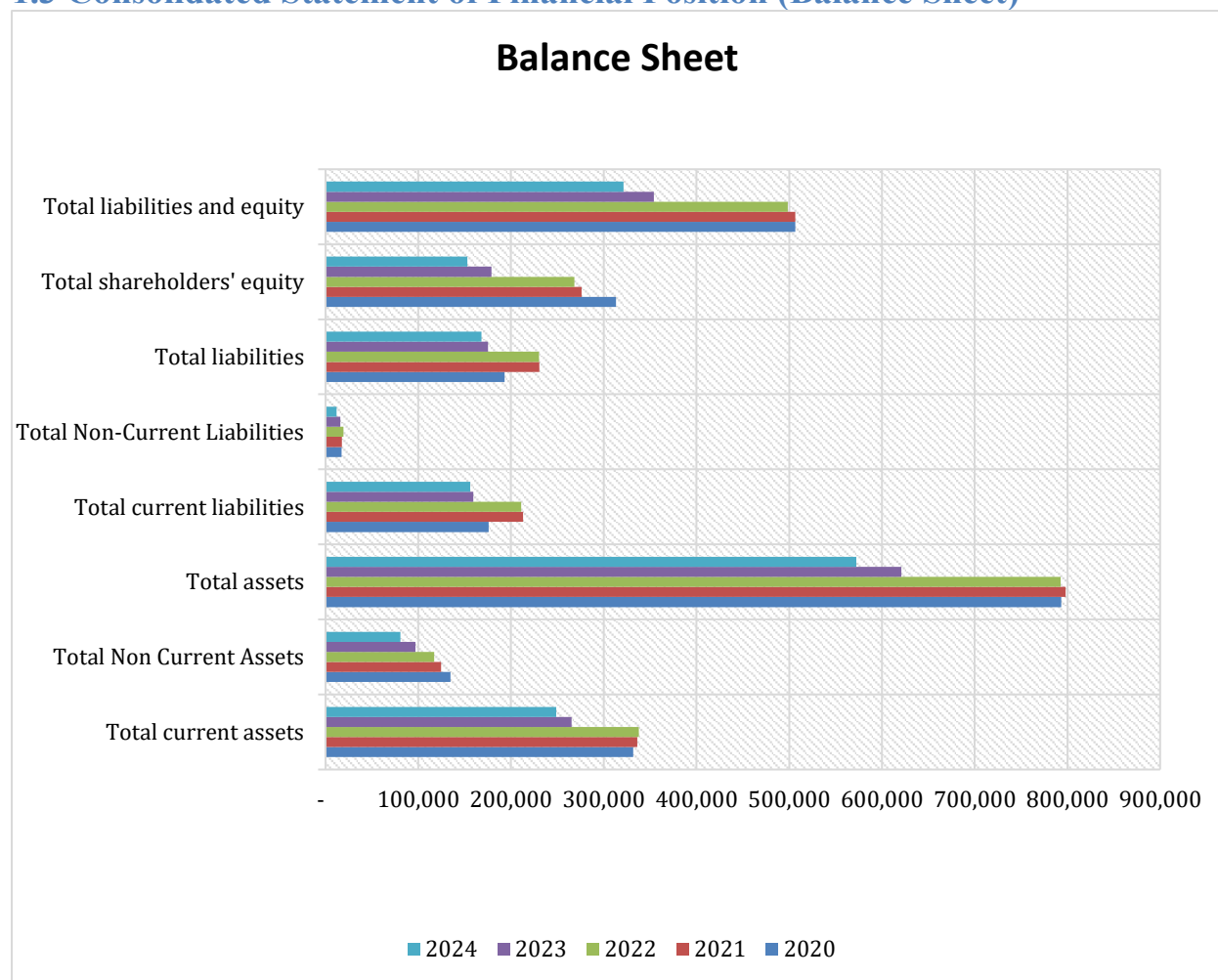
1.1 Overview of Financial Statement Performance

General Electronics portrays a high degradation in the scale and profitability in the five years. Between 2020 and 2024, the financial reports demonstrate the business becomes a significantly smaller entity, shifts to unprofitable operations, and cash position weakens, despite its positive operating cash flow. Revenue decreases by PS 614,680m (2020) to PS 394,879m (2024), and net income shifts its characteristics PS 38,572m (2020) to losses of PS 98, 238m (2023) and PS 24,029m (2024). During the identical period, both the total assets and the shareholders equity improve, decreasing to PS 510,290m (2020) and PS 323,354m (2024) respectively (so that the former is to PS 323 354m, the latter to PS 153 105m), respectively, which implies a smaller asset base and a less significant equity reserve at the expiry of the horizon.

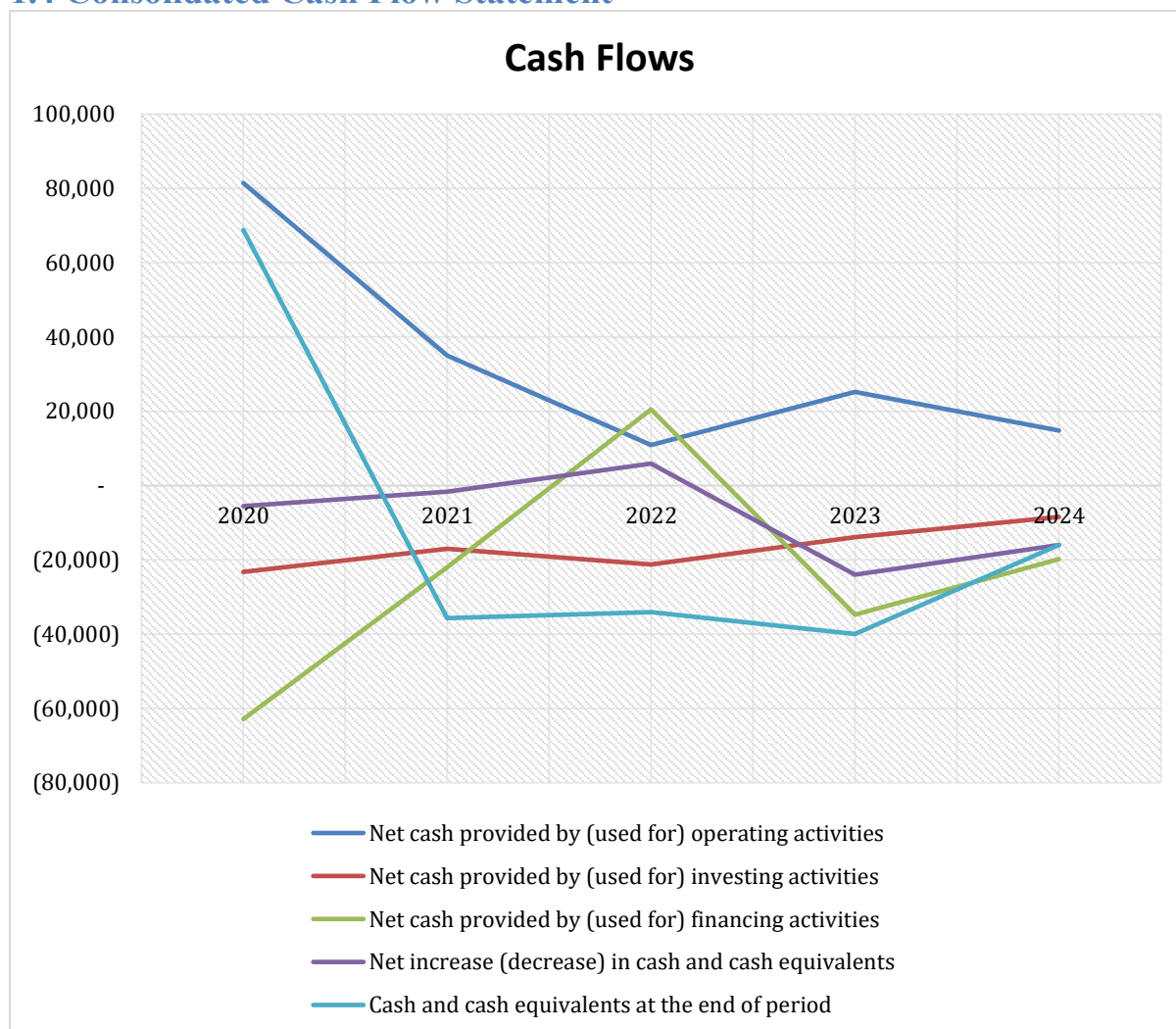
1.2 Consolidated Income Statement



1.3 Consolidated Statement of Financial Position (Balance Sheet)



1.4 Consolidated Cash Flow Statement



1.4. Ratio Analysis

1.4.1 Profitability

The gross margin is generally maintains itself within the high 20s in 2020-2022, declines significantly in 2023 and comes back to the range in 2024. This trend means that the product-level economics of the firm are not actively breaking down, but 2023 is a sign of margin pressure which is usually linked to excessive discounting, negative input identity shift, or poor sales mix.

The operating margin is shifted to a drastic negative, where was positive in 2020-2022, with a result of an even more dangerous negative in 2023, which will be less significant but also negative in 2024. The trend is an indicator that that major profitability failure lies below the gross profit, that is, operating expenses were not reduced in a way that is commensurate to the drop in sales. Practically, this is an indication of excessively fixed or excessively inefficient

cost structure relative to the lower revenue base where overhead absorption faces insufficiency, and operating losses are realized. The slight relief in 2024 is in line with the reduction in costs or no special charges as observed in 2023, but negative figure shows that profitability was not regained in structure.

Net profit margin also takes the same trend as operating margin and declines initially and healthily positive in 2020 before becoming almost negative in 2022 and negative in 2024.

ROCE (Return on Capital Employed) goes down after a high positive value in 2020 into positive but not material ones in 2021-2022, then goes down in 2023 becoming materially negative and continues to do so in 2024.

1.4.2 Liquidity

Current ratio remains above 1 throughout the years but decreases in the years of 2020 which is a stronger year to a lower level in 2024. A current ratio of more than 1 shows that current assets are more than current liabilities hence the firm is not facing an apparent short-term balance sheet crisis.

The quick ratio is always lower than the current ratio (as would be anticipated), and is generally in the range of 1 in most years, but much better in 2021-2022 than the less strong rates of 2023-2024.

Cash ratio decreases within the five years and this shows that just cash will meet a dwindling percentage of the current liabilities by 2024. This is an important indicator in that cash is the most protective liquidity asset in emergent scenarios.

1.4.3 Efficiency

There is a slight increase in inventory turnover in 2023-2024 compared to 2022, which implies a rapid turnover of inventory or a smaller inventory. Within a turnaround context, better inventory turnover may be good since it will unlock cash and minimize the obsolescence risk.

In accounts payable days, the difference between the previous years and 2024 is enormous. The longer payable days usually enhance short term cash since a delay in payments to supplier occurs. It may however also indicate stress in the event that suppliers are being used as a source of finance since the banks are not very flexible.

Account Receivables Turnover in 2023-2024 the figures improve. The scale number in the data is exceptionally high as compared to a more traditional turnover multiple, and thus it is a day based proxy or some other defined take of the cycle of receivables.

Spike of cash conversion cycle (CCC) in 2023 and thereafter, it will improve in 2024. When CCC is higher, the operating cycle holds cash during a longer time, which increases the requirement to fund the company externally and increases the liquidity risk. The recent spike of 2023 is hence congruous with the increased stress. The 2024 enhancement indicates that working capital ratios began to stabilize or it was actively controlled to dispose of cash.

Asset turnover does not reduce significantly and slightly increases by 2024. This implies that the company is immensely meeting sales of total assets at a widespread steady rate, in spite of general shrinkage.

There is a strong increase in the fixed asset turnover, which comes out of the period. It usually signifies the better use of the plant and equipments or depreciation of the fixed assets base. Since this has seen a great decrease in the assets in the statements, the increase is as a result of the reduction in asset base that exceeds that of the decrease in sales and has the effect of boosting the ratio in a mechanic manner.

1.4.4 Gearing

The trend of debt-to-equity also rises gradually throughout the time, which implies the increased dependence on debt as compared to the equity buffer. This is common to a company that is making losses, since equity reduces and leverage increases even in the absence of any significant additional borrowing.

There is also an increase in debt-to-capital ratio, which supports the idea that the total capital structure becomes more debt-based. This is important as, when a company has a downward trend in the profits and a large debt ratio, its capacity to shock-absorb diminishes. Increased debt proportion also enhances the level of interest rate and refinance sensitivity.

Multiplier of equity goes up, in line with an increase in leverage. A growing equity multiplier has the potential to increase ROE in profitable, non-cyclical companies; in unprofitable companies it simply augments certain downside risks and raises the risk of distress.

In 2023, interest coverage / TIE becomes negative and it is negative in 2024. Negative interest coverage is a particularly dire warning as it suggests that operating earnings (EBIT) will not be

enough to offset interest expense, debt service will have to rely on cash reserves, liquidation of working capital, asset liquidation, or refinancing.

1.4.5 Investment

In the year 2020, ROE is positive and compares to a modest positive in 2021-2022, and turns into a strongly negative in 2023 and is also negative in 2024. This implies that through losses shareholder value is being destroyed instead of being doubled through retained earnings.

The same trend is observed with ROA, where the negative was observed in 2023-2024. Negative ROA also signifies that overall asset base is not yielding any positive profits and it could either imply structural profitability issues or a larger base of assets that is too bulky/inefficient to support that level of sales.

The later period has negative ROIC, which strengthens that investment capital is not yielding satisfaction returns. Negative ROI is also in line with negative economic profit and, in the context of valuation, is a sign that the failure to add value will proceed unless there is a rebound of operational performance with the current strategy.

In 2023-2024, the earnings are negative and, thus, make the EPS and P/E hard to interpret. Loss making performance is directly translated to negative EPS and a negative P/E ratio is meaningless and misleading.

1.4.6 Cash Flow Ratios

Cash flow ratio decreases with time, which shows that the company is operating at a lower level and is not as good at generating operating cash as compared to current liabilities. Although there is a positive operating cash flow, the decreasing trend implies that the liquidity coverage due to operating activities becomes finer, therefore, it relies more on credit facilities and working capital strategies.

The cash flow to debt ratio also deteriorates i.e. the ability of the firm to repay the debt through the operating cash flow is reducing. This coincides with the adverse negative interest coverage results: when interests cannot be covered by the earned revenue, the company will be more dependent on cash flow rates and external capital market conditions.

The movement of the cash flow is decreasing in comparison with the previous years with less cash being generated per pound of sales. This is important since a company that is experiencing

revenue stress requires increased efficiency in generating cash to maintain liquidity. A declining value of cash flow margin means that the operating model in the firm is not turning the declining sales into cash as efficiently as it used to be.

In the years 2020, 2021, 2023, 2024, there is a positive free cash flow (FCF), but in 2022, there is a negative value. The interpretation of positive FCF in the loss years can prove beneficial to survive, but it is dependent on the source. When FCF comes as a result of lower investment or from the sale of inventory the results may not be an indicator of future recovery. The trend of the positive FCF does not mean that the firm is incapable of generating discretionary cash at certain times, and the tendency of operating cash flow ratios institutionally indicates that the margin of error is decreasing.

1.5. Strengths, and Threats

Trends (2020-2024)

General Electronics is characterized by an evident trend of shrinking business and increasing financial burden in 2020-2024. Revenue decreases during the period, profitability decreases, having positive outcomes in 2020-2022, and huge losses in 2023 and 2024.

Strengths

The declining numbers still show that there are some points of strength that could be used to manage a recovery. The performance of gross margin rebounds in 2024, having deteriorated in 2023, prompting the idea that even product-level economics can be defended by leveraging prices, sourcing, or product-mixes.

Threats

The information also identified material threats that might compromise a recovery unless implemented. The ongoing decrease in revenues jeopardizes scale efficiency and overhead absorption, which is directly related to operating losses. The absence of a positive operating earning in 2023-2024, and the negative interest coverage means that the interest cost cannot be covered by the core operating activity and, thus, the company requires either refinancing or asset sales to meet its interest obligations, or releasing working capital.

1.6. Altman Z-Score

Model choice. Given the firm's profile and available values value, the Altman Z" model is applied:

$$Z = 1.2 \times \left(\frac{WC}{TA}\right) + 1.4 \times \left(\frac{RE}{TA}\right) + 3.3 \times \left(\frac{EBIT}{TA}\right) + 0.6 \times \left(\frac{BVE}{TL}\right) + 1.0 \times \left(\frac{SV}{TA}\right)$$

Common thresholds: Safe $Z > 2.99$, Grey $1.81 < Z < 2.99$, Distress $Z < 1.81$.

Metric	2024	2023	2022	2021	2020
Total Assets	32,354.00	355,872.00	504,163.00	510,348.00	510,290.00
Current Assets	24,249.00	258,851.00	338,404.00	337,146.00	326,843.00
Current Liabilities	15,829.00	161,148.00	216,747.30	216,787.00	179,510.00

			00		
Retained Earnings	208,431.00	232,460.00	330,291.00	324,990.00	
EBIT	(15,237.00)	(87,922.00)	13,593.00	16,646.00	45,327.00
Total Liabilities	170,249.00	176,952.00	235,770.00	234,399.00	196,989.00
Sales	394,	420,457.00	54	601,602.00	614,680.00

	87 9. 00		2, 7 5 1. 0 0		
Market Value of Equity (for Public Z)	15 3, 10 5. 00	178,920.00	2 6 8, 4 0 6. 0 0	275,949.00	313,301.00
X1 Working Capital / Total Assets	0. 26 0	0.275	0. 2 4 1	0.236	0.289
X2 Retained Earnings / Total Assets	0. 64 5	0.653	0. 6 5 6	0.647	0.637
X3 EBIT /	- 0.	-0.247	0. 0	0.033	0.089

Total Assets	047		27		
X4 Market Value of Equity / Total Liabilities	0.899	1.011	1.138	1.177	1.590
X5 Sales / Total Assets	1.221	1.181	1.077	1.179	1.205
Z = 1.2*X1 + 1.4*X2 + 3.3*X3 + 0.6*X4 + 1.0*X5	2.82	2.22	3.06	3.18	3.69

General Electronics' Altman Z-Score indicates that default risk increased materially after 2022. The firm stayed in the “safe zone” in 2020–2022 ($Z \approx 3.69, 3.18, 3.06$), then moved into the “grey zone” in 2023–2024 ($Z \approx 2.22$ and 2.82). This means distress risk is elevated but not in the distress zone, with partial improvement in 2024 that still falls short of returning to a clearly safe classification.

2. Working Capital Management Analysis

2.1 Assessment of the cash operating cycle

The cash operating cycle or cash conversion cycle (CCC) is the best measure of working capital performance. The CCC quantifies the days of cash is locked up in operations which is conceptually quantified by the period between payment to suppliers and collection of cash by customers. A shorter CCC enhances liquidity because of less external short term financing and a longer CCC raises funding pressure and operational and financing risk anew. (Atrill and McLaney, 2022)

The data shows that General Electronics CCC was 11.21days (2020), and this was drastically reduced to 2.63 days (2021), and rising to 11.62 days (2022), and then soaring high to 36.93days (2023) and then dropped to 15.48days (2024). This trend indicates that the working capital turned into a material cash-consuming item at the height of the financial distress in 2023 and then largely normalized in 2024, namely with weaker current ratio as in the best year (2021). (General Electronics, 2025)

The spike of 2023 is strategically significant. The near 37 days CCC means that more of the cash is languishing in both receivables and inventory (or released worse than by use of payables), creating the need to depend more on bank facilities, supplier credit, or cash reserves by the firm. This is consistent with the greater performance fraternity in which profitability deteriorated savagely and financing risk augmented suggesting that operational cash effectiveness diminished when it was most required.

There are conflicting indicators of working capital. The inventory turnover will become weak in 2022; better in 2023-2024, which means that the invention is changing at a high speed or that the inventory level is declining. In aggrieved environments, a better turnover in inventory may be indicative of a better planning and less exposure to obsolescence, or it may be indicative of forced de-stocking because of shrinking demand. Subsequently, the enhancement must be construed as bettering liquidity, yet it might not reap itself with stable sales and supply planning discourse.

The position of the payables too varies materially. On the 2024 accounts payable days are strongly up-trending (compared to previous years) and generally negatively impacts on CCC postponing cash payments to suppliers. This will give a relief in terms of liquidity in the short run but can also show a higher dependence on suppliers as a source of funds. Dependence on this nature may introduce second-order risks, like a failure of supply, loss of early-payment

discounts, tighter trade terms, and decreased willingness by the supplier to give priority to deliveries to the customer, especially in electronics supply chains.

The receivables measure within the dataset is named as Account Receivables Turnover but it is seen to be exhibited in a days-like format. No matter what is defined, the operational implication is that the conversion efficiency of receivables has to be of high concern as one of the liquidity levers. During a down turn, pricing behavior of customers tends to be poor and the risk of credit increases and thus liquidity may dry out quickly in spite of the current ratios reported being satisfactory.

2.2 Working Capital

Working capital indicators suggest that operating liquidity is under strain, primarily due to weaker collection performance and a growing reliance on supplier financing.

Ratio Name	2024	2023	2022	2021	2020
Operating Cash Flow Ratio	0.09:1	0.16:1	0.05:1	0.19:1	0.41:1
Cash Flow to Debt Ratio	8.71%	14.24%	4.63%	17.19%	37.26%
Cash Flow Margin	3.75%	5.99%	2.01%	6.70%	11.94%
Free Cash Flow	23,250	39,067	(10,282)	23,242	49,658
Free Cash Flow Margin	5.89%	9.29%	-1.89%	3.86%	8.08%

The receivables have risen to 105.54 days in 2024 up against 76.86 days in 2020, which is a reduced rate of payment to the customers and slow locking up of capital in the receivables. Findings in the literature regarding working capitals tend to conclude that the longer the receivables and inventory holding periods, the lower the profitability, since the cash is tied up in operating assets, this is illustrated in a study where Deloof (2003) found out that managers working on the reduction of the receivables days and inventory days help them improve profitability.

Simultaneously, Days payables rose to 93.60 in 2024 compared to 64.47 days in 2023, indicating that the company is taking decrease in terms of payables to remain afloat. Cash conversion cycle (CCC) dropped to 15.48 days in 2024 after 36.93 days in 2023 and that would be just at a glance indicating better liquidity usage, but considering the fact that CCC is

reducing whereas State of receivables is worsening and payables days are being extended, the best economical explanation is that CCC improvement is more of a result of delayed payments than enhancement of converting sales into cash.

2.3 Reforming working capital to enhance liquidity.

An effective liquidity enhancement process must place emphasis on cash release without negatively affecting on business continuity and customer relationships as well as supplier relationships. The measures of working capital reforms are generally centered on receivables, inventory, and payables, reinforced by the enhanced predictive, administrative and performance surveillance.

Receivables reforms (accelerate cash, decrease credit risk).

There should be a blend of policy and process in the case of receivables improvement. The terms of credit must also be correlated with risk profile of customers and credit limits must be increased on slow or high risk accounts of customers. The collections cadence (e.g., pre-due notifications, expedited dispute resolutions, called escalation) is theory and is used to minimise the number of "from the administration side of the house" delays that tend to cause payment slippage (Ross et al., 2019)

Inventory reforms (cut up cash held up in inventory without harming levels of service).

Demand based planning and SKU discipline should be used to control inventory. Rapid identification and elimination of stagnant and aging inventory must be undertaken by use of product rationalization and selective sell through programs as a priority in consumer electronics with relatively short product life cycle and common obsolescence risk. There should be alignment of procurement to anticipate precision, the policy of safety stock is adjusted to service level objectives, and variation of lead-time (Brealey et al., 2025)

Payables (streamline without disrupting supplier).

Negotiated improvements should be given priority in payables optimization instead of stretching that is not managed. The payables increase in 2024 implies that the usage of the supplier credit is already in an aggressive mode that can be destabilizing.

Governance and control (elevate improvements long-lasting).

Reform of working capital can be best reformed with granite targets, accountability and cadence. Credit terms, inventory policy and supplier negotiations can be controlled by cross-functional working capital councils (finance, sales, procurement, operations). Measures like CCC, overdue receivables, inventory ageing and supplier-term compliance are to be monitored monthly with corrective measures incorporated in the operation planning. This tightens controls on the risk that is that the enhancements are short-lived or would be attained through value-destructive means.

2.4 Long and short term financing sources.

Deficits of working capital have to be financed and the structure of the financing should be in accordance with the risk profile and the term of the funding requirement. Short term funding is often cheaper but leaves the firm exposed to rollover risk whereas long term funding adds greater stability but can add some explicit cost and tighten covenants.

Short finance (merits and demerits).

Examples of short-term sources are bank overdraft, revolving credit facilities and other short-term instruments. Their main strengths are that they are flexible and fast; hence, they fit the seasonal working capital requirements and short-lived cash shortages. Nonetheless, short-term funding increases liquidity risk since it has to be renewed regularly, and it is prone to lender confidence.

Financing of a long-term (benefits and drawbacks).

Long term sources consist of term loans, at least in the case of bonds where possible, and extend the date of a lease. Their strength lays in stability in refinancing: maturities are increased, which means that the rollover risk is lowered and the management can implement the restructuring of operations without facing a liquidity crisis shortly. The restoration of competitiveness can also be made through investment programs which are financed with long-term funds.

Recommendation of financing (principle-based).

Based on the fact that the decrease in cash buffers, high leverage, and negative interest coverage in 2023-2024 were found, the focus of the funding strategy should lie in minimizing rollover risk and enhancing funding resilience. This suggests a higher involvement of longer maturity instruments that are available coupled with an effective working capital reforms to lower the number of external funds evolved.

3. Strategic Financial Restructuring Plan

3.1 Restructuring objectives and rationale (link to financial distress evidence)

The financial profile of General electronics reveals that restructuring should deal with three binding constraints namely poor profitability, worsening debt service ability as well as a diminished equity buffer. The revenues decrease significantly between the periods 2020-2024 whereas the operating results becomes sharply negative in 2023 and negative in 2024, which suggests that the operating model is no longer appropriately sized in response to the current level of revenues.

The restructuring strategy thus aims at.

- stabilization (headroom on liquidity and covenants)
 - deleverage and recapitalisation (lowering the distress costs and recovering funding access),
 - strategic refocus (cashing capital on areas with the ability to generate positive returns).
- These priorities have corporate finance principles which know that value is created with the enhancement of anticipated cash flows, reduction in risk and the possibility of financial distress governed by the probability weighted costs.

3.2 Recommended restructuring choices (portfolio, capital structure and governance).

Alternative 1: Selective divestiture and rationalization of assets.

The first line lever is a restructuring tool of selling off or shutting down of non-core/low returning/or cash drain business units along with sale of underutilized assets. This alternative is especially applicable since the asset base of the firm has already shrunk rapidly after 2022, indicating that some additional rationalization can be possible and aligned with strategy. Proceeds of divestiture can be used to lessen dependence on short term borrowing, enhance headroom of covenants and finance of feature products lines and channels have to win investments.

Value logic. Divestiture can add value to shareholders when the proceeds of the divestiture are employed to settle costly debt, decrease the probability of distress, and focus on resources in the higher margin segments, enhancing future cash flows. The major threat is forced sales in distress might be at discounts, hence the sequencing of divestiture needs to be based on

priorities, focusing on assets with strategic redundancy and liquid markets, as opposed to core capabilities.

B: Strategic merger/ joint venture / alliance (scale and capability repair)

Considering the long-term revenue loss and rigidity of cost base, a merger/strategic alliance may be applied to regain scale efficiencies and consolidate overhead and increase bargaining power in its supply chain. Consumer electronics alliances can also be employed in enhancing access to distribution, platform ecosystems, and product innovation services without entirely incurring stand-alone investment expenses.

Value logic. In the event that the integration synergies (cost and revenue) are plausible, a merger has the capacity to increase the enterprise value due to the increased cash flows and decreased cost handling a unit, as well as enhancement of flexibility of operations by sharing the fixed costs (R&D, tooling, procurement). The main risk to value is to pay more than it is worth or to underestimate the complexity of integration and thus any mix must be had with conservative synergy views and governance controls to provide accountability of delivery.

Option C: Equity injection (rights issue, the private placement or strategic investor)

Equity recognition is the options that will be supported since the leverage level has risen as well as the buffering of equity is no longer holding much water by 2024. Equity may be issued through a rights issue (to the existing shareholders), through a private placement or a strategic partner investment (which may be accompanied with alliance benefits). The injection of equity enhances solvency, minimizes debt equity ratio, and helps in enhancing the lender confidence, and allows the refinancing at reduced terms, in many cases.

Value logic. Even though the issuance equity can dilute current shareholders, it may also value enhancing in case the expected cost of distress can be significantly lowered and that the firm can sustain positive NPV projects and supplier/customer faith.

Alternative D: Rebuilding the debt (extension of maturity, reset of the covenant and reduction of cost)

Restructuring of debts should be sought with the aim of minimizing rollover and stabilizing the liquidity. The figures indicate declining debt-service ratios (negative interest coverage in 2023-2024) and the shift into the grey zone of the Z Score, which in combination means a higher sensitivity of creditors. There are elements such as renegotiating covenants, maturity

extensions, turning some of the short-term facilities into long-term instruments, and pricing modification in lieu of believable turnaround milestones.

Value logic. An increase in maturities will mitigate the chances of liquidity based failure and will provide time of operational restructuring to be implemented, thus maintaining going concern value.

3.3 Evaluation of impacts: shareholder value, debt structure, and operational flexibility

Impact on shareholder value

A restructuring package enhances the value of the shareholders when it enhances their anticipated free cash flow, and the discount rate is lowered due to lowering of risk. Value can be increased by speeding up the deleveraging process and cause a portfolio shift to higher-margin sectors; value is lost when the sales are made at distressed prices or when the selling of profitable assets is done to buy-out losses in other areas.

Change in debt structure and credit risk.

There should be a change in the debt structure whereby, the short-term reliance is changed into a robust maturity profile. The negative interest coverage tendency evidenced in 2023-2024 means that the debt capacity of the firm is limited until the recovery of the EBIT level is attained. Divestiture and equity injection has a direct declining effect on leverage metrics which enhances credit worthiness and reduces refinancing spreads in the long run.

3.4 Integrated package (preferred sequencing) recommended.

The above options can be put together in an integrated package:

- Short-term stabilization (0-3 months): dialogue facilitated by covenant and liquidity-forecasting and short-term facility "ring fencing" reinforced with tight working-capital constraints.
- Portfolio actions (3-9 months): the specific target is the divestiture of the non-core business assets and optimization of the footprint to create cash and simplify business.
- Recapitalisation (3-12 months): equity sale to debt maturity extension to rebuild solvency buffer and reduce refinancing risk (e.g. rights issue, strategic investor).
- Strategic re positioning (6-18 months): explore merger/alliance with synergy, supply-chain strength, and technology advantages, and no value-destructive acquisition premiums.

It is this sequencing that saves distress expenses, followed by re-establishing the balance sheet, and above all, contribute to growth and competitiveness.

3.5 Foreign and ethical factors (taxation, currency risk, inflation, CSR)

Cross-border structuring and taxation.

The trans-jurisdictional restructuring should be able to control the tax risk, and tax compliance, particularly with respect to transfer pricing and profit allocation. The OECD Transfer Pricing Guidelines underscores the principle of arm-length and the existence of taxable profits, which equate to the real economic activity, and so, the post-restructuring provision of any supply-chain or IP has to have substantial documentation and substance.

Currency risk and reporting exposure.

Being a global company, General Electronics is vulnerable to transaction and translation effects of exchange rate variations. IAS 21 establishes the approach of translating foreign currency transactions and foreign operations and recognizing exchange differences, which show that currency volatility may impact on reported performance and equity through translation reserves, and through effects on profit/loss.

Pricing/working-capital pressure and inflation risk.

Inflation may strain the margins by escalating input, labour and logistics expenses and may skew working capital requirements by elevating the cash required to finance inventories and creditors. Firm-level research also shows that inflation shock may have heterogeneous impacts on profitability and investment behavior, which suggests that pricing discipline and operational flexibility are necessary.

CSR and corporate social responsibility (people, environment, integrity).

The turnaround strategies can be associated with layoffs, renegotiation with suppliers, and closing of the plants, which poses ethical and reputation risks. The Ten Principles of the UN Global Compact is an established framework under human rights, labor standards, environment, and anti-corruption that can be used to restructure decisions that impact the workers and supply chains.

3.6 Conclusion statement (report-worthy)

The restructuring proposed involves portfolio reduction (divestiture), balance-sheet restoration (equity injection and debt restructuring), and the restoration of strategic capability

(merger/alliance) to regain profitability, decrease the risk of default and again have the ability to be more flexible in its operations. The strategy has the aim of safeguarding shareholder value, reducing the distress costs and enhancing further cash-flow capacity and good handling of international tax and currency risks as well as addressing ethical standards that require responsibility in restructuring.

4. Investment Appraisal and Capital Budgeting

4.1 Calculation

After calculating, the following have found-

Metric	A	B	C
Payback Period (years)	3.40 Years	5.00 Years	3.60 Years
Pay Back Period Discounted	4.73 Years	Not be possible	4.55 Years
ARR (%)	7.00%	0.00%	10.00%
NPV (£m)	1.324177	-7.255279	4.225370
PI	1.033104	0.758157	1.084507
IRR (%)	11.327177	0.000000	12.719763

The project B is not worthwhile as it undergoes all the tests of value: it has negative NPV, PI less than 1, and is not recreational at the required discounted payback, indicating that it will destroy value at a 10% required at a stable cash flow, [Assignment-2 Final | Excel], [sciepub.com].

Project A is slightly acceptable, yet Project C has a higher value creating power and capital efficiency: it gives the highest NPV = +PS 4.225m +PS), highest PI = 1.085, and highest IRR = 12.72), and discounted payback is slightly faster than Project A.

4.2. Financial Metrics: among the notable factors.

Payback Period (PBP)

Project A is payback in the shortest period of (3.4 years) which means that the initial outlay would be recovered in the minimum amount of time with nominal cash. Project B has the

lowest liquidity recovery; it is slowest (5.0 years). The payback period of project C is 3.6 years which is marginally slower than that of project A due to its more back loaded cash flows. This renders C to be acceptable on payback but slightly inferior to A on early cash recovery.

Discounted Payback Period (10%)

Project C also displays a consequentially lower discounted payback (approximately 446 years old) than Project A (approximately 4733 years old), i.e. C breaks even at the 10% cutoff marginally sooner. Project B operates without any recovery in 5 years, and this is a poor indication of discounted cash recovery.

Accounting rate of return (ARR).

Project C offers the highest ARR (10 percent), which means that it possesses the best average accounting profitability on straight line depreciation. Project A is lowered at (7%), whereas Project B is at 0, which shows poor accounting returns.

Net Present Value (NPV) at 10%

Project C is the one that produces the largest NPV +PS 4.225m that is, this project brings the greatest value at the discount rate of 10% discount. Project A is positive with a modest- PS (+ PS 1.324m) whereas Project B is negative (-PS 7.255m) and hence value destroying.

Profitability Index (PI)

Project C has the highest PI (1.085) which means that it represents the maximum present value per pound invested. Project A has a slight per value of more than 1 (1.033), whereas Project B has less than 1 (0.758), which is a positive indication showing that it should be rejected on the basis of value.

Internal Rate of Return (IRR)

Project C is the best because it has the highest IRR of 12.72 interest rate and Project A is also above the hurdle 11.33 interest rate and therefore above the 10 percent of required interest rate. The IRR of project B is around 0 to 0 which is way below the hurdle, which is unacceptable performance.

Capital rationing (max PS 60m)

This is due to the large amount of PS 60m needed to construct any two projects; the combination of two projects has PS 70m; the combination of three projects has PS 90m; and the combination of two projects has PS 80m. Project C is the value-maximising option as it has the highest NPV, and PI of the feasible affairs.

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6. Appendix

Key Ratios

Category	Ratio Name	2024	2023	2022	2021	2020
Profitability	Gross Margin	28.87%	23.20%	28.06%	28.76%	28.67%
	Operating Margin	-3.87%	-20.29%	2.68%	3.87%	6.06%
	Net Profit Margin	-6.09%	-23.36%	0.07%	0.88%	6.28%
	Return on Capital Employed (ROCE)	-9.23%	-45.15%	4.72%	5.67%	13.70%
Liquidity	Current Ratio	1.53:1	1.61:1	1.56:1	1.56:1	1.82:1
	Quick Ratio	1.03:1	1.06:1	0.91:1	0.93:1	1.15:1
	Cash Ratio	0.17:1	0.27:1	0.31:1	0.28:1	0.32:1
Working Capital Ratio	Inventory Turnover	3.54 Days	3.66 Days	2.79 Days	3.19 Days	3.64 Days
	Accounts Payable Days	93.60 Days	64.47 Days	66.72 Days	78.95 Days	69.29 Days
	Account Receivables Turnover	105.54 Days	97.74 Days	75.55 Days	78.40 Days	76.86 Days
	Cash Conversion Cycle (CCC)	15.48 Days	36.93 Days	11.62 Days	2.63 Days	11.21 Days
Asset Efficiency	Asset Turnover	1.22 Times	1.18 Times	1.08 Times	1.18 Times	1.20 Times

	Fixed Asset Turnover	11.54 Days	9.42 Days	8.64 Days	8.06 Days	7.04 Days
Gearing	Debt-to-Equity	1.11:1	0.99:1	0.88:1	0.85:1	0.63:1
	TIE	-4.53:1	-20.30:1	6.18:1	29.41:1	31.88:1
	Debt-to-Capital Ratio	52.65%	49.72%	46.76%	45.93%	38.60%
	Equity Multiplier	211.20%	198.90%	187.84%	184.94%	162.88%
	Interest Coverage	-4.53 Times	-20.30 Times	6.18 Times	29.41 Times	31.88 Times
Investment	Return on Equity	-15.69%	-54.91%	0.15%	1.92%	12.31%
	Return on Assets	-7.43%	-27.60%	0.08%	1.04%	7.56%
	ROIC	-6.97%	-29.99%	0.60%	1.31%	8.83%
	EPS	-93.50	-388.29	1.63	21.46	158.08
	P/E Ratio	-0.02%	-0.01%	1.21%	0.09%	0.01%
Cash Flow	Operating Cash Flow Ratio	0.09:1	0.16:1	0.05:1	0.19:1	0.41:1
	Cash Flow to Debt Ratio	8.71%	14.24%	4.63%	17.19%	37.26%
	Cash Flow Margin	3.75%	5.99%	2.01%	6.70%	11.94%
	Free Cash Flow	23,250.00	39,067.00	(10,282.00)	23,242.00	49,658.00
	Free Cash Flow Margin	5.89%	9.29%	-1.89%	3.86%	8.08%

Metric	2024	2023	2022	2021	2020
Total Assets	323,354.00	355,872.00	504,163.00	510,348.00	510,290.00
Current Assets	242,494.00	258,851.00	338,040.00	337,146.00	326,843.00
Current Liabilities	158,291.00	161,148.00	216,473.00	216,787.00	179,510.00
Retained Earnings	208,431.00	232,460.00	330,698.00	330,291.00	324,990.00
EBIT	(15,237.00)	(87,922.00)	13,593.00	16,646.00	45,327.00
Total Liabilities	170,249.00	176,952.00	235,757.00	234,399.00	196,989.00
Sales	394,879.00	420,457.00	542,751.00	601,602.00	614,680.00
Market Value of Equity (for Public Z)	153,105.00	178,920.00	268,406.00	275,949.00	313,301.00
X1 Working Capital / Total Assets	0.260	0.275	0.241	0.236	0.289
X2 Retained Earnings / Total Assets	0.645	0.653	0.656	0.647	0.637
X3 EBIT / Total Assets	-0.047	-0.247	0.027	0.033	0.089
X4 Market Value of Equity / Total Liabilities	0.899	1.011	1.138	1.177	1.590
X5 Sales / Total Assets	1.221	1.181	1.077	1.179	1.205

$Z = 1.2 \cdot X_1 + 1.4 \cdot X_2 + 3.3 \cdot X_3 + 0.6 \cdot X_4 + 1.0 \cdot X_5$	2.82	2.22	3.06	3.18	3.69
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Pay Back Period (Without Discounting)						
Year	Project A		Project B		Project C	
	Cash Flows	Cumulative	Cash Flows	Cumulative	Cash Flows	Cumulative
0	-40	-40	-30	-30	-50	-50
1	10	-30	6	-24	5	-45
2	12	-18	6	-18	10	-35
3	14	-4	6	-12	20	-15
4	10	6	6	-6	25	10
5	8	14	6	0	15	25
Pay Back Period	3.40 Years		5.00 Years		3.60 Years	

Pay Back Period Discounted 10%						
Year	Project A		Project B		Project C	
	Discounted Cash Flows	Cumulative	Discounted Cash Flows	Cumulative	Discounted Cash Flows	Cumulative
0	-40	-40	-30	-30	-50	-50
1	9.0909091	-30.909091	5.454545455	-24.545455	4.5454545	-45.454545
2	9.9173554	-20.991736	4.958677686	-19.586777	8.2644628	-37.190083
3	10.518407	-10.473328	4.507888805	-15.078888	15.026296	-22.163787
4	6.8301346	-3.6431938	4.098080732	-10.980807	17.075336	-5.0884502
5	4.9673706	1.3241768	3.725527938	-7.2552794	9.3138198	4.2253696
Pay Back Period Discounted	4.73 Years		Not recover within 5 Years		4.55 Years	

Metric	A	B	C
Payback Period (years)	3.40 Years	5.00 Years	3.60 Years

Pay Back Period Discounted	4.73 Years	Not recover within 5 Years	4.55 Years
ARR (%)	7.00%	0.00%	10.00%
NPV (£m)	1.324177	-7.255279	4.225370
PI	1.033104	0.758157	1.084507
IRR (%)	11.327177	0.000000	12.719763