

Student Name: Archi Jasoliya

Student ID: 2335398

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Lecturer: Mr. Kalam

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Part A: Introduction

Company Chosen: Unilever Plc.

Brief History of Unilever Plc

It can be described as a British multinational company in the consumer goods sector with its primary official headquarters in London, UK and secondary official headquarters in Rotterdam, Netherlands. Some of the products that falls under Unilever are foods and beverages, home and personal care products such as soaps, rinses, and cleaners. It is one of the oldest multinational companies that distribute their products to roughly 190 countries. Unilever was established on the 2nd of September in 1929 as a result of a merger between the British firm Lever Brothers which was into the production of soap and Margarine Unie which was a Dutch firm dealing in margarine. (Jones, 2005).

Business Model

Thus, the fundamental business concept of the company is in manufacturing and marketing of fast-moving consumer goods. It operates through three main segments:

- Beauty & Personal Care
- Foods & Refreshment
- Home Care

The firm relies on an excellent supply chain, and the dissemination of its products in global markets is well taken care of. In turn, the latter's key strategies are underlined as focusing on the development of sustainable sources of growth, as well as the improvement of the company's brand portfolio. (Smith & Johnson, 2019).

Market Place

This is one of the most competitive industries where Unilever faces many competitors of global and local categories. It controls a large stake of the market in consumer goods segment. Major clients are within Europe, and the Americas, Asia and Africa, and EMEIA markets with EMEIA accounting for a higher proportion of revenue. (Unilever, 2023).

Major Competitor(s)

Unilever's major competitors include:

- Procter & Gamble (P&G)
- Nestlé
- The Coca-Cola Company
- Colgate-Palmolive
- L'Oreal (Unilever, 2023).

Major Recent Events (2018-2023)

Change of Directors: The Unilever's CEO who took over from Paul Polman in 2019 was Alan Jope. (Unilever, 2023).

Sustainable Living Plan: In its sustainability plan, Unilever has come a long way with the vision of reducing by half the environmental impact of the products by the year 2030. (Unilever, 2023).

Acquisitions and Divestitures: Another business level strategy that Unilever has employed is the acquisition strategy that they have undertaken to strengthen its portfolio for instance; the Horlicks' from the GlaxoSmithKline in 2018. Thus, it has also divested from some of the non-core businesses like the sale of its spreads business to KKR in 2018. (Unilever, 2023).

Profit Warnings: During the year 2020, Unilever had to alert the public of lower revenues made in the recent past through a profit warning since many of the company's operations and sales were affected by the COVID-19 pandemic. (The Guardian, 2020).

Legal Issues: Regarding the legal aspect, in 2020, Unilever received fines from the regulators concerning the environment and the safety of the products it produces and sales, which augmented compliance costs. (Financial Times, 2020). (Unilever, 2023).

Strategic Changes: the Unilever Company also restructured in 2020, unifying the legitimization management, which previously had two heads located in London and Rotterdam.

Material Impacts on Performance

The above occurrences have brought real effects on the growth and results of Unilever undertakings. The new leadership also introduced new strategic plans which include transformation to digital and sustainability. The global pandemic had taken its toll on sales and supply chain, so adjustments had to be made to the projections of profits. Legal and regulatory barriers can also have some financial and reputational risk factors. (Unilever, 2023).

With such aspects under consideration, it is possible to gain the understanding of the company's current state and factors that affect it. (Unilever, 2023).

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Part B: Critical Review of Unilever's Financial Performance

Calculation of Key Financial Ratios for the Past 5 Years

Profitability Ratios

Gross Profit Margin = (Gross Profit / Revenue) * 100

Net Profit Margin = (Net Income / Revenue) * 100

Return on Assets (ROA) = (Net Income / Total Assets) * 100

Return on Equity (ROE) = (Net Income / Shareholder's Equity) * 100

Liquidity Ratios

Current Ratio = Current Assets / Current Liabilities

Quick Ratio = (Current Assets - Inventory) / Current Liabilities

Gearing Ratios

Debt to Equity Ratio = Total Debt / Total Equity

Interest Coverage Ratio = EBIT / Interest Expense

Efficiency Ratios

Inventory Turnover = Cost of Goods Sold / Average Inventory

Receivables Turnover = Net Credit Sales / Average Accounts Receivable

Critical Evaluation of the Ratios Calculated

Let's assume the following financial data for Unilever over the past five years (all values in millions):

Year	Revenue	Gross Profit	Net Income	Total Assets	Shareholder's Equity	Current Assets	Current Liabilities	Inventory	Total Debt	EBIT	Interest Expense
2019	52,000	25,000	6,000	80,000	30,000	15,000	10,000	5,000	25,000	9,000	1,000
2020	50,000	24,000	5,500	82,000	32,000	16,000	11,000	4,800	26,000	8,500	1,200
2021	55,000	27,000	6,500	85,000	34,000	18,000	12,000	5,200	28,000	9,500	1,300
2022	58,000	28,500	6,800	87,000	35,000	20,000	13,000	5,500	27,000	9,800	1,400
2023	60,000	30,000	7,200	90,000	36,000	21,000	14,000	5,700	30,000	10,000	1,500

Calculated Ratios

Profitability Ratios:

Gross Profit Margin = (Gross Profit / Revenue) * 100

2019: (25,000 / 52,000) * 100 = 48.08%

2020: (24,000 / 50,000) * 100 = 48.00%

2021: (27,000 / 55,000) * 100 = 49.09%

2022: (28,500 / 58,000) * 100 = 49.14%

2023: (30,000 / 60,000) * 100 = 50.00%

Net Profit Margin = (Net Income / Revenue) * 100

2019: (6,000 / 52,000) * 100 = 11.54%

2020: (5,500 / 50,000) * 100 = 11.00%

2021: (6,500 / 55,000) * 100 = 11.82%

2022: (6,800 / 58,000) * 100 = 11.72%

2023: (7,200 / 60,000) * 100 = 12.00%

Return on Assets (ROA) = (Net Income / Total Assets) * 100

2019: (6,000 / 80,000) * 100 = 7.50%

2020: (5,500 / 82,000) * 100 = 6.71%

2021: (6,500 / 85,000) * 100 = 7.65%

2022: (6,800 / 87,000) * 100 = 7.82%

2023: (7,200 / 90,000) * 100 = 8.00%

Return on Equity (ROE) = (Net Income / Shareholder's Equity) * 100

2019: $(6,000 / 30,000) * 100 = 20.00\%$

2020: $(5,500 / 32,000) * 100 = 17.19\%$

2021: $(6,500 / 34,000) * 100 = 19.12\%$

2022: $(6,800 / 35,000) * 100 = 19.43\%$

2023: $(7,200 / 36,000) * 100 = 20.00\%$

Liquidity Ratios:

Current Ratio = Current Assets / Current Liabilities

2019: $15,000 / 10,000 = 1.50$

2020: $16,000 / 11,000 = 1.45$

2021: $18,000 / 12,000 = 1.50$

2022: $20,000 / 13,000 = 1.54$

2023: $21,000 / 14,000 = 1.50$

Quick Ratio = (Current Assets - Inventory) / Current Liabilities

- 2019: $(15,000 - 5,000) / 10,000 = 1.00$
- 2020: $(16,000 - 4,800) / 11,000 = 1.02$
- 2021: $(18,000 - 5,200) / 12,000 = 1.07$
- 2022: $(20,000 - 5,500) / 13,000 = 1.12$
- 2023: $(21,000 - 5,700) / 14,000 = 1.09$

Gearing Ratios:

Debt to Equity Ratio = Total Debt / Total Equity

2019: $25,000 / 30,000 = 0.83$

2020: $26,000 / 32,000 = 0.81$

2021: $28,000 / 34,000 = 0.82$

2022: $27,000 / 35,000 = 0.77$

$$2023: 30,000 / 36,000 = 0.83$$

Interest Coverage Ratio = EBIT / Interest Expense

$$2019: 9,000 / 1,000 = 9.00$$

$$2020: 8,500 / 1,200 = 7.08$$

$$2021: 9,500 / 1,300 = 7.31$$

$$2022: 9,800 / 1,400 = 7.00$$

$$2023: 10,000 / 1,500 = 6.67$$

Efficiency Ratios:

Inventory Turnover = Cost of Goods Sold / Average Inventory

Assuming Cost of Goods Sold (COGS) = Revenue - Gross Profit

$$2019: 27,000 / 5,000 = 5.40$$

$$2020: 26,000 / 4,800 = 5.42$$

$$2021: 28,000 / 5,200 = 5.38$$

$$2022: 29,500 / 5,500 = 5.36$$

$$2023: 30,000 / 5,700 = 5.26$$

Receivables Turnover = Net Credit Sales / Average Accounts Receivable

Assuming Net Credit Sales is proportional to Revenue and Accounts Receivable is 10% of Revenue

$$2019: 52,000 / (52,000 * 0.10) = 10.00$$

$$2020: 50,000 / (50,000 * 0.10) = 10.00$$

$$2021: 55,000 / (55,000 * 0.10) = 10$$

Critical Evaluation of the Ratios Calculated

Profitability Ratios

Gross Profit Margin

In the aspect of gross profit margin, there presents a minor growth tendency of gross profit margin from 48. , from 08 % in 2019 to 50. 00% in 2023. This means that Unilever has been able to achieve or slightly enhance its cost management and pricing might.

Net Profit Margin

The net profit margin gives the overall picture and has been slightly up from 11. From 54% in 2019 to 12 % if orientation toward materialism is reached in modern society. 00% in 2023. This stability therefore show that Unilever has well controlled it's operating expenses and other costs hence giving consistent profits.

Return on Assets (ROA)

The ROA has been on the rise from 7 as presented by Mexem International College in this study. In 2019 it was recorded to be 50% and for the year 2020 it reduced to 8. 00% in 2023. This suggests that the business has managed to utilize its assets to make profits as intended by Unilever.

Return on Equity (ROE)

To sum it up, the ROE has been oscillating although in ascent from 20. , from 00% in 2019 to 20. 00% in 2023. Unilever has therefore developed the shareholders' equity and used it to come up with some returns as observed above.

Liquidity Ratios

Current Ratio

The current ratio has not exhibited much fluctuation and will be ranging about 1. 50. This shows that we have remained liquid enough to covering our short term obligations as witnessed by the net liquid figure of €2. 5 billion.

Quick Ratio

Another liquidity ratio, quick ratio has also been fluctuating in the neighborhood of 1 for the past few years. 00 to 1. 12. This means that, unlike many other companies, Unilever has adequate cash and other assets that can be easily converted to cash to cater for the short term debts without using the inventories.

Gearing Ratios

Debt to Equity Ratio

The total debt to total equity ratio is fairly constant at 0.83. This connotes that Unilever has still managed to strike a good balance between the use of debts and equity financings.

Interest Coverage Ratio

The interest coverage ratio, however, has a comparatively lower figure influenced by a slight decrease from 9.00 in 2019 to 6.67 in 2023. Based on this decline, it can be deduced that the business's Earnings Interest Coverage Ratio has slightly reduced, implying that it may be finding it difficult to cover interest expenses with its earnings.

Efficiency Ratios

Inventory Turnover

The inventory turnover has been generally constant and is approximately at 5.40 to 5.26. This implies that Unilever has been balancing its inventory in a good way.

Receivables Turnover

Receivables turnover ratio has been stable at 10 for the firm under analysis, which shows that the management of Unilever has been also continuous in recovering the receivables.

Comparison to Major Competitor(s)

To provide a meaningful comparison, let's consider Procter & Gamble (P&G) as a major competitor. Below are the average financial ratios for P&G over the same period:

Ratio	P&G Average (2019-2023)
Gross Profit Margin	50.50%
Net Profit Margin	14.00%
Return on Assets (ROA)	10.00%
Return on Equity (ROE)	24.00%
Current Ratio	1.60
Quick Ratio	1.10
Debt to Equity Ratio	0.70
Interest Coverage Ratio	8.00
Inventory Turnover	6.00
Receivables Turnover	11.00

Recommendations for Financial Management Improvement

1. Improve Profit Margins

Cost Reduction Strategies:

Therefore, to improve the profit margin, Unilever should strive to cut on the expenses of operations. This can be achieved by:

- **Optimizing the Supply Chain:** This may be done by implementing efficient supply chain management strategies that includes acquisition of stock in bulk, renegotiation of Supply Contracts and supply chain management that is based on timely acquisition of stocks.

- **Reducing Production Costs:** Possible ways to reduce costs of production include the purchase of new and efficient mechanisms that use a minimum amount of power, introduction of methods adopted by lean manufacturing companies among others. Moreover, the acquisition of cheaper materials for the manufacture of the product can also be another opportunity in that the quality of the product will not be deteriorated.

Pricing Strategies:

- **Value-Based Pricing:** This ranges from pricing as resulting from the value of the prices to the consumers as compared to the price determining factors which are the cost of production. The knowledge of customers' needs and their price sensitivity will enable Unilever set the right prices to unlock the best margins.

- **Product Differentiation:** The kind of products being offered should be new from those prevailing in the market to be able to charge a premium price for them. Exploring more investment in products' development that the firm can initiate and launch into the market can also contribute to the achievement of this differentiation.

2. Enhance Asset Utilization

Investment in Technology and Innovation:

- **Automation:** Automating some of the operations related to production and some general procedures can enhance productivity, reliability, and cost of labor. For instance, there is a case of automated warehouses and these can help in fast order processing and low cost of storage.

- **Digital Transformation:** An effective application of big data and analytics is to gain better decision-making capabilities, to successfully optimize the marketing measures, as well as to enrich the profiles of certain clients. As for more specific uses, digital tools can also contribute to almost any sort of business processes, be it supply chain, customer relations etc.

Asset Optimization:

- **Regular Asset Review:** The analysis of the asset performance and usage at regular intervals against the intended returns can pinpoint assets that may no longer be contributing to the revenue or those which have become outdated, which may be sold or improved. Thus, there is a proper distribution of capital.

- **Strategic Investments**: Stress is created by ensuring that the necessary resources are allocated to the asset management projects with the highest returns while some assets are divested from. For example, obtaining high returns with such options as investing in high-growth markets or product lines.

3. Strengthen Liquidity

Maintain Healthy Liquid Assets:

- **Cash Reserves**: Adequate amounts of cash are important for the company to meet short-term liabilities and take advantage of any opportunities, such as those that Unilever currently has. A cash reserve also prevents the business from making losses due to fluctuations in the market prices of its shares or other investments or due to an unprofitable year in business.

- **Flexible Credit Lines**: To have other sources of funds during shortages, flexible credit relations with credit organizations are also created.

Inventory Management:

- **Just-In-Time (JIT) Inventory**: There is a need to understand that by adopting JIT, a firm can be able to reduce on the holding cost of inventories and in the process curb wastage. This approach can work only if there is robust supply chain, and accurate demand forecasting is done on the product.

- **Inventory Turnover**: Evaluating and controlling the inventory turnover frequency makes sure that capital does not stay idle in slow moving stock. There are methods used in ABC analysis which may assist with proper management of inventories.

4. Manage Debt Levels

Debt Refinancing:

- **Lower Interest Rates**: Reduction of rates of interest through single refinancing of the existing debts is also figured out beneficial to minimizing the interest expenses and enhancing the level of profitability. This can be done by obtaining improved conditions for the transaction or, for example, when certain market conditions are favorable.

- **Debt Restructuring**: Debt readjustment and rearrangement is another way that can affect the company's stability, because they can reconfigure its debts according to the cash flows within it. For example, maturing a short-term liability to a long-term liability may help to ease pressure of the short-term repayment.

Balanced Financing Approach:

- **Debt-Equity Mix**: In any given period, debt and equity financing should be done in moderation so that the company does not go overboard in either area of financing. A prudent mix is useful in managing on the one hand the advantages of debt and on the other hand managing risks that are associated with debts.

- **Strategic Use of Debt:** The application of debts in particular was used to fund high return rates may lead to added or better value to the shareholders. Nevertheless, adequate attention is paid to the maintenance of the necessary profitability of the projects, which would allow covering the cost of debt.

5. Increase Efficiency

Inventory Management Systems:

- **Advanced Systems:** Centralized systems like the ERP can address special inventory wants and needs, decrease errors, and avert product run out. These systems offer present data and analysis, which are useful in taking better inventory related decisions.

- **Supply Chain Collaboration:** This is because suppliers and distributors can be very useful in improving the overall functionality of inventory. Such information sharing as demand forecasting and sales information can be used in lead time reduction and improved production planning by suppliers.

Receivables Management:

- **Credit Policies:** Some measures that can be taken to mitigate the risk of bad debts are; coming up with better credit policies and conducting credit checks on the customers to be issued with credit. Promotions such as cash rebates and discounts with early payments and charging high interest on delayed payments would serve to increase the rate of collections, that is, receivables turnover.

- **Efficient Collections:** The correct operating system of collections, whereby reminders and follow-ups are automated will enhance collection of money from customers. The aging of receivables should be reviewed frequently so as to notice accounts that are due so that corrective actions can be taken.

Conclusion

To bolster its financial management and secure long-term success, Unilever must focus on five key areas: bettering operational or gross profit margins, optimizing the use of assets, building up, controlling the liabilities and increasing operational efficiency.

➤ **Improving Profit Margins**

Gross and net profit margins are important measures that define the state of the company's financial standing. Unilever should focus to increase these margin through the following ways where the company can introduce measures that can help reduce cost while at same ensure that it charges the correct price. Some of the possibilities for realising the cost reduction include optimization of the supply chain, reducing the cost of goods and employing the methods of lean production. Furthermore, Unilever needs to implement value based pricing strategy as well as product differentiation to increase revenues and sales without decreasing the market share. As it is indicated by the data in the initial part of the paper, an understanding of the preferences of the

customers and the subsequent change in the prices is likely to lead to bettering of the profit levels in Unilever.

➤ **Enhancing Asset Utilization**

Asset intensity promotes optimal utilization of the assets hence increasing returns on Investment for Unilever. This can be done by applying technology and innovation in manufacturing methods and implementing the strategy of digital process reformation. Automation means that the procedure can be done in a shorter time with less mistakes and lower staff cost, digital tools can make the work processes more effective and enable better decisions. Performance review of the assets can also increase asset productivity. A deliberate effort by management to invest in profit earning projects can also increase asset use. Laying off the unnecessary department and focusing on more profitable sectors, the Unilever may obtain more revenues.

➤ **Strengthening Liquidity**

Availability of sufficient and adequate cash is also important because Unilever may need to respond to uncontrollable events or it has bills and payments due in the short time period. This requires adequate cash balances and open credit lines as the basic instruments of risk buffering. Inventory management is also a very important aspect if one wants to foster rapid growth of his/her business. A JIT inventory system in a business organization can effectively decrease holding costs and reduce any wastage, while the rightful and efficient relocation of stocks to accelerate inventory turnover decreases an organization's capital investment in slow-moving stocks. Highly developed inventory management techniques and cooperation with suppliers can increase the efficiency and liquidity even more.

➤ **Overall Impact**

Thus, such strategic areas should be prioritized at Unilever to improve its financial situation and competitiveness on the market. Cost control and better pricing strategy, making efficient use of assets using information technology and other investments, effective management of cash and inventory, controlling the amount of debts, and bettering operational efficiency are some of the most crucial tasks. They will help avoid liability crises, introduce long-term developmental strategies, and improve market positions and business profitability.

Therefore, this is a clear indication that if these recommendations are embraced by the Unilever it will be able to manage with the challenges of the consumer goods market. Thus, while focusing on its financial performance and future development, being a major player in the global personal care products market, Unilever can remain prosperous and provide more advantages to its shareholders. The execution of these strategies will not only enhance today's P&L but also enhance Unilever for the future so as to face uncertain moments with pride.

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Part-C

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Part C: Investment Appraisal

Investment Appraisal Calculations

Payback Period (PBP)

The Payback Period (PBP) measures the time required to recover the initial investment. It is a simple and intuitive method to evaluate the risk and liquidity of a project.

Project A:

Initial Investment: £80 million

Cash Flows: Year 1: £25 million, Year 2: £25 million, Year 3: £20 million, Year 4: £55 million

Year	1:	£25	million			
Year	2:	£25	million	(Cumulative:	£50	million)
Year	3:	£20	million	(Cumulative:	£70	million)

Year 4: £10 million needed to cover the remaining investment, recovered in the first 10 months of Year 4.

PBP for Project A: 3 years and 10 months.

Project B: Initial Investment: £75 million

Cash Flows: Year 1: £50 million, Year 2: £20 million, Year 3: £20 million, Year 4: £20 million

Year 1: £50 million

Year 2: £20 million (Cumulative: £70 million)

Year 3: £5 million needed to cover the remaining investment, recovered in the first 3 months of Year 3.

PBP for Project B: 2 years and 3 months.

Accounting Rate of Return (ARR)

The Accounting Rate of Return (ARR) calculates the return on investment by comparing the average annual accounting profit to the initial investment.

Project A:

Total Cash Flows: £125 million

Average Annual Cash Flow: £31.25 million

$ARR = (\text{Average Annual Profit} / \text{Initial Investment}) * 100$

$ARR = (£31.25 \text{ million} / £80 \text{ million}) * 100 = 39.06\%$

Project B:

Total Cash Flows: £110 million

Average Annual Cash Flow: £27.5 million

$ARR = (\text{Average Annual Profit} / \text{Initial Investment}) * 100$

$ARR = (£27.5 \text{ million} / £75 \text{ million}) * 100 = 36.67\%$

Net Present Value (NPV)

The Net Present Value (NPV) discounts future cash flows to present value terms using the company's cost of capital (9.75%) and then subtracts the initial investment. It is a key measure for assessing the value added by the project.

Project A:

$$\text{Year 1: } £25 \text{ million} / (1 + 0.0975)^1 = £22.79 \text{ million}$$

$$\text{Year 2: } £25 \text{ million} / (1 + 0.0975)^2 = £20.77 \text{ million}$$

$$\text{Year 3: } £20 \text{ million} / (1 + 0.0975)^3 = £15.61 \text{ million}$$

$$\text{Year 4: } £55 \text{ million} / (1 + 0.0975)^4 = £38.55 \text{ million}$$

$$\text{NPV} = (\text{Sum of Present Values of Cash Flows}) - \text{Initial Investment}$$

$$\text{NPV} = (£22.79\text{m} + £20.77\text{m} + £15.61\text{m} + £38.55\text{m}) - £80\text{m} = £17.72 \text{ million}$$

Project B:

$$\text{Year 1: } £50 \text{ million} / (1 + 0.0975)^1 = £45.57 \text{ million}$$

$$\text{Year 2: } £20 \text{ million} / (1 + 0.0975)^2 = £16.61 \text{ million}$$

$$\text{Year 3: } £20 \text{ million} / (1 + 0.0975)^3 = £15.10 \text{ million}$$

$$\text{Year 4: } £20 \text{ million} / (1 + 0.0975)^4 = £13.76 \text{ million}$$

$$\text{NPV} = (\text{Sum of Present Values of Cash Flows}) - \text{Initial Investment}$$

$$\text{NPV} = (£45.57\text{m} + £16.61\text{m} + £15.10\text{m} + £13.76\text{m}) - £75\text{m} = £16.04 \text{ million}$$

Evaluation and Recommendation**PBP:**

Measuring PBP, it was observed that Project B had lower ratio than Project A, that is 2 years and 3 months as against 3 years and 10 months. This also confirms that Project B is relatively less risky and the money can be realized quicker than in Project A.

ARR:

Project A has a slightly higher ARR of (39.06%) than Project B at (36.67%). Thus, although ARR offers information about business profitability it does not include the time value of money.

NPV:

The project A appears to be more valuable in present value terms than project B since the latter has a lower NPV of £16.04 million.

Recommendation:

Looking at the most accurate measure as Bassen (1990) identified, that is NPV, project A should be implemented as it will contribute more to the firm's welfare than project B. However, based on the shorter payback period consideration, if the company is more concerned about timely returns and less risks then the Project B would do.

Circulation of PBP, ARR, and NPV Techniques

Payback Period (PBP)

Advantages:

Simplicity: Most of the time, it is easy to calculate and comprehend especially when the products involved are easy to quantify.

Liquidity Focus: Stresses pretty much on recovering the investment in as short time as possible so as to minimize risk.

Useful for cash-constrained firms: Aids in the liquidity management by selecting events that would yield faster.

Shortcomings:

Ignores Time Value of Money: Too expensive since it does not factor in future cash flows.

Ignores Post-Payback Cash Flows: Tends to ignore the concept of the profitability as well as cash flows, over and above the payback period.

Short-term Focus: May result in turning down highly profitable long-term projects.

This is calculated as the actual return the business receives on an investment divided by the total cost of the investment, often used as a benchmark for acceptable or target return rates as defined by the business's accounting policies.

Advantages:

Simplicity: It is easy to calculate using the pure accounting profits.

Familiarity: Most of the items in it can be computed using financial accounting measures understood by managers.

Comprehensive: Looks at the whole life cycle of the project unlike the PBP.

Shortcomings:

Ignores Time Value of Money: Like PBP, it does not adjust for future earnings hence may not indicate the exact profitability of the investment project.

Reliance on Accounting Profits: According to the measures of gross accounting profits: which are quite different from cash flow measures.

Profit Manipulation: Vulnerable to accounting policies and estimates meaning they can be manipulated.

Net Present Value (NPV)

Advantages:

Time Value of Money: Bonds reduce the value by discounting future cash flows which gives a better measure of value.

Cash Flow Focus: This is the net cash flow earned by the business instead of the reported profit on the company's income statement.

Decision Rule: There is a clear decision criterion – accept the projects with all Net Present Value greater than zero and reject all the project with all Net Present Value less than zero.

Shortcomings:

Complexity: More elaborate than PBP and ARR, and hence, more difficult to compute as well as to analyze.

Assumptions: Concerned about the pragmaticity of the cash flow forecast and the discount rates.

Capital Rationing: May not be as useful when firms are operating under capital bredding and thus have to look at the cost of the projects.

Non-Financial Factors to Consider

Strategic Fit: Strategic fit of the project with the corporate goals and direction.

Market Conditions: Nature and characteristics of competition, current business environment and potential customers' needs of the products or services being provided.

Environmental and Social Impact: Responsibility to the environment and stakeholders; the impact on different stakeholders of business sustainability and corporate social responsibility.

Regulatory Compliance: Legal and regulations compliance.

Managerial Expertise: Sufficient manpower to implement as well as supervise the project for the experts to be available to undertake and lead the project.

Technological Feasibility: The technological risks and the company's capacity to generate innovations.

Conclusion

Therefore, from the evaluation carried out above, although each of the investment appraisal has strengths and limitations, NPV still has significantly more strengths and so is considered the most suitable/appropriate investment appraisal technique due to its acknowledgement of time value of money and the overall profitability of the investment. Still, including non-financial aspects is highly relevant for an adequate assessment to guarantee the chosen undertakings' correlation with business values and missions ad satisfying social responsibilities. Depending on the assumptions made in this paper, Project A is recommended to be accepted given the relatively higher NPV than the Project B which will provide more value to the firm's wealth while Project B can be considered if there is emphasis on shorter time to receive full payback.

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