



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

FINANCIAL MANAGEMENT

NAME:-CHAUHAN HETKUMAR MAHESHBHAI

STUDENT ID:-2309968

UNIVERSITY OF WALES TRINITY SAINT DAVID

LECTURER:- DAVID COKER



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Introduction

Financial management is all about controlling, protecting, monitoring, and reporting on the financial resources of a company. Companies have finance teams and accountants responsible for managing their finances including loans, investments, debts, all banking transactions, and other sources of funding. It refers to the proper planning and organising to achieve the aims and objectives.

Part a) A brief history of the selected company

History of the company

Shell's history is a journey from London to Asia, from the birth of the motor car to development of the sustainable fuels. They have a rich history that has spanned over a century, founded in 1907, and were established following the merger of the United Kingdom's Shell Transport and Trading Company and the Royal Dutch Petroleum Company of Netherlands.

Industry

Shell is a group of petrochemical companies and energy companies with headquarters in the UK and London. They are presently in more than 70 countries and with more than 103,000 employees.



Figure 1: Logo of Shell

(Source: Shell.com, 2024)

They use innovative approaches and advanced technologies that will contribute to building sustainable energy in the future. Shell is an organisation that is focused on customers, serving more than 1 million industrial and commercial customers (Shell.com, 2024). There are 33 million customers daily at more than 47,000 Shell retail stations.

Business model

The business model of Shell will help us understand the workings of the company. ***Customer relationships***, Shell maintains a strong relationship with its customers and Shell operates service stations for the customers to buy automobile products, refuel their vehicles, and shop for convenient products. Shell has extensive ***networks*** globally and it is used for the delivery of value propositions, these networks include retail sites, digital platforms, production sites, refineries, and depots. The ***key resources*** of Shell are physical infrastructures (like petrol stations and refineries), reserves of gas and oil, human resources, and technologies. The ***cost structure*** of Shell is influenced by factors like costs of marketing and refining, production and exploration, administration, and research.

Marketplace

It has maintained its leadership position globally with a competitive advantage by continuing its investments in premium products. Shell is leading in lubricant retail for the 17th consecutive year (Shell.com, 2024). In the global market, Shell maintained its leading position at a share of 11.6%.

Major competitors

The competitors of Shell are BP and Chevron, BP PLC's purpose is to reimaging energy for the people and help people to improve their lives. The transition of the world to a more affordable, secure, lower carbon energy system and investments in lowering carbon energies is initiated by the company (Bp.com, 2024).

Major events

Event of 2018

The events of NON-GAAP measures include free cash flow, capital divestments, and investments. In October 2018, Shell made an investment decision in LNG Canada, which is located in British Columbia (Reports.shell.com, 2018).

Event of 2019

In 2019, the expenditure of cash capital was 8.9 billion as compared to 7.4 million in 2018. In marketing the cash increased by 0.4 to 2.2 billion (increased mainly from the US pipeline project investments (Reports.shell.com, 2019).

Event of 2020

Expenditure of cash capital in trading and refinery decreased because of cash initiative preservations and reduced spending in US pipelines as it was near completion.

Event of 2021

Shell stepped into investments in zero and low-carbon energy, there are opportunities for growth and strong returns. They increased their investments in marketing and renewable energy sources.

Event of 2022

They increased their investments in oil products and oil production and it included investments in trading and refining.

Part b) Review of financial performance

Calculation of financial ratios with results

Profitability ratio

Net profit margin					
	2022	2021	2020	2019	2018
Net profit	42,874	20,630	-21,534	16,432	23,906
Total revenue	3,81,314	2,61,504	1,80,543	3,44,877	3,88,379
Net profit/Total revenue *100	11.24375187	7.888980666	-11.9273525	4.764597	6.15533

Figure 2: Net profit margin of Shell plc

(Source: Self-created)

The profitability ratio is meant to be calculated to fulfil the purposes of accounting for assessing the ability of the firm to achieve the intended mark of profitability through core business actions. As opined by Arsyad *et al.* (2021), a good value of the profitability ratio is accounted to be above 10% in terms of positioning the company in a financially healthy position. Based on the monetary performance reported by Shell Plc in its Annual reports for five consecutive years, the net profit ratio has been calculated. In terms of that, the net profit ratio denoted different values in the past five fiscal years. In FY 2018, 2019, and 2020 the denoted values are 6.15, 4.76, and



11.92 respectively. For the next two years, the net profit margin is observed to grow eventually. The value of FY in 2021 is 7.88 whereas the value is 11.24 in FY 2022.

Liquidity

Current ratio	2022	2021	2020	2019	2018
Current assets	1,63,087	1,26,805	90,695	92,689	97,482
Current liabilities	1,21,311	95,547	73,951	2,13,873	1,96,660
Current assets/current liabilities	1.344371079	1.3271479	1.2264202	0.43338336	0.49568799

Figure 3: Current ratio of Shell Plc

(Source: Self-created)

The current ratio of Shell Plc has been calculated based on a 5-year period. In this flow, the current asset of Shell Plc has been calculated as 163087 in 2022, which is an increase from 97482 in 2018. A decrease in the current assets has been seen between the years 2019 and 2020. However, the overall asset has experienced an increase from 126805 in 2021 to 163087 in 2022. The current liabilities of Shell Plc have experienced a decrease from 196660 in 2018 to 121311 in 2022. In overall estimation, the current ratio of the company has been calculated to be 1.244471079, which is an increase from 0.4956799 in 2018. A healthy current ratio has generally been between 1.5 and 3.0, indicating enough current assets of the company to pay the current liabilities (Adlia *et al.* 2023). Therefore, Shell Plc currently has an unhealthy current ratio to pay its current liabilities.

Gearing

Debt-to-equity ratio	2022	2021	2020	2019	2018
Total debt	2,50,427	2,29,053	2,20,731	2,13,873	1,96,660
Total shareholders equity	1,92,597	1,75,326	1,58,537	1,90,463	2,02,534
Total debt/ total shareholders equity	1.300264282	1.306440574	1.392299589	1.122911	0.97099746

Figure 4: Debt-to-equity ratio of Shell plc

(Source: Self-created)

In financial analysis, gearing is the ratio of a company's debt to equity. Based on the above estimation, the total debt of Shell Plc for the financial year of 2022 is calculated as 250427, increasing from 196660 in 2018. In this flow, the company has experienced continuous increments of its total debt in the range of five financial years from 2018 to 2022. On the other

hand, the total shareholder equity of Shell has decreased from 202534 in 2018 to 192597 in 2022. In overall estimation, the total debt-to-equity ratio of Shell Plc has been calculated as 1.300264282 in 2022, which is an increase from 0.97099746 in 2018. A healthy debt-to-equity ratio has generally been around 1 to 1.5 which indicates the company has sufficient debt in order to pay its shareholder equity (Budianto and Dewi, 2023). The estimation indicates an unhealthy debt-to-equity ratio of Shell Plc.

Efficiency

Asset turnover ratio	2022	2021	2020	2019	2018
Sales	3,81,314	2,61,504	1,80,543	3,44,877	3,88,379
Total assets	4,43,024	4,04,379	3,79,268	4,04,336	3,99,194
Sales/Total assets	0.942961924	0.689496609	0.446517253	0.863933	0.97290791

Figure 5: Asset turnover ratio of Shell plc

(Source: Self-created)

Asset current ratio refers to a significant financial metric to evaluate organisational performance. The asset turnover ratio plays a crucial role in measuring the efficiency of a company's assets for generating sales and revenue (Patin *et al.* 2020). Sales of Shell Plc have been calculated as 381314 in 2022, which indicates a decrease from 388379 in 2018. However, the total assets of Shell Plc have increased from 399194 in 2018 to 443024 in 2022. The total assets of the company are 0.942961924 for the financial year of 2022, decreasing from 0.97290791 in 2018. A healthy asset turnover ratio is generally above 1. On the other hand, it has been seen that the company has that than overall ratio is seen to be improved. Therefore, the result indicates Shell Plc is facing complexities to utilise its resources in generating revenue.

Evaluation of the ratios

The evaluation of the values denoted for the **net profit margin** of the last five consecutive days of Shell Plc has projected that the company performance has decreased in the year 2020 as negative value is donated. It has been seen in the study of Nariswari and Nugraha (2020), that the company can be considered to be in a financially healthy position if the value is denoted above 3.5%. This enables Shell Plc to get a high percentage in the financial year 2022. On the contrary, it has been stated by Srivastava (2021), that the high rate of the net profit margin can increase the risk of complacency among the company professionals. This can be reasoned by the evaluation

of the feeling of self-satisfaction that hinders the future possibility of heightening the ability to project optimised cash flow. In terms of that, the company has been required to be more focused on the perfect assessment of future credit risk.

The evaluation of the current ratio of Shell Plc has been detonated as negative as a healthy current ratio should be between 1.5 and 3.0, whereas the current ratio of Shell Plc has been determined as below 1.3. **Decreased current assets** and **ineffective inventory management** have been considered to be the major reasons behind an unhealthy current ratio of business (Adlia *et al.* 2023). Therefore Shell Plc may face **increased borrowing costs**, **reduced access to credit**, and **reduced profit margin** as well due to the decreased rate of the current ratio. Furthermore, **reduced consumer demand** in the market can also be a potential impact of an unhealthy current ratio in business (Hutapea and Sudjiman, 2020). An unhealthy current ratio significantly indicates that the company does not have enough assets to pay its current liabilities (Pattiruhu and Paais, 2020). This can potentially affect the flow of Shell's business activities, running the business at risk of defaulting on loans and low liquidity.

Shell has increased its assets in the period of five financial years from 2018 to 2022 as well as decreasing its liabilities. However, the current ratio of the company has been determined as poor, which can be achieved through several improvements. For instance, by discarding the unproductive assets, Shell can gain a higher ratio in relation to its assets and current liabilities. A poor current ratio always indicates a company's struggle to meet short-term obligations (Limbong *et al.* 2021). Therefore, Shell can potentially face ineffective credit ratings, which in turn can lead to bankruptcy.

The calculation and the denoted value of the **Debt-to-equity ratio** of Shell plc have been seen to increase in an eventual manner within the past five financial years. In terms of the statement of Kurniawan (2021), the evaluation of the debt-to-equity ratio has been observed to be conducted for a better projection of the amount of debt acquired by the company in comparison to the assets of the company. However, it can be stated that the company might get into the high risk of lenders and investors as the organisation has imposed the ability to get potential growth through borrowing (Maria and Andiani, 2021). Thus, the debt of the market can be increased for the company which can increase the risk of investment. Therefore, it can be stated that Shell Plc is

required to be more effectively managed in terms of managing the cash flow and the resource allocation of the company.

The company is required to be more concentrated in the business as the extreme competitiveness has enabled the company to heighten the risk of market borrowing in terms of generating cash flow. It is true that the company has been able to increase the efficiency of revenue generation, but the market risk has been seen to be increased as the rate of the market debt has been higher in comparison to the asset the company beholds. In terms of the statement of Ardhana *et al.* (2023), the company has been seen to be more effectively planning the process of converting assets from liabilities. Therefore, it can be further proposed that the higher debt load will be able to reduce the dominator of the equation.

The Assets ratio of BP has been analysed in the above discussion which has been identified as that the sales of the company have been decreasing. In the year 2018, the organisation conducted total sales of 388379 but in the year 2019, the organisational sales of the company were 344877 which have been identified as decreasing. On the other hand in the financial year 2020 and 2021, the sales of the organisation were 180543 and 261504 which has been a massive decrease. Moreover, in the financial year 2022, the company made total sales of 381314 and total assets were 443024. From the analysed figures it has been identified the company has been continuously developing organisational strategies and effective methods to enhance its sales and make a profit. Comparatively 2022, the total assets of Shell Plc were 399194 in the year 2018 which has been identified as increasing. The organisation has been effectively taking steps to enhance the profitability and assets turnover ratios for the enhancement of the organisational sector.

The virtually integrated structure of the company has been impactful for the enhancement of its organisational assets turnover which has been effective for the company's growth. The organisation has been growing value by focusing on organisational performance along with discipline and simplification (Shell.com, 2024). The leadership factors of the organisation have been effective for the organisation in the enhancement of its turnover and profitability ratios. The organisation has been growing its values for its stakeholders which have been impactful for its organisational growth. The company has been supporting its stakeholders and the stakeholders of

the company have been showing trust in the company which has been impactful in the enhancing turnover ratio of the company. It has also been analysed that the total assets of the company have been enhancing which has been effective for the growth of the company and to enhance total assets the company has been enhancing its market share within the global market. The enhancement of market share can be helpful for the company to make effective growth in the competitive market.

Comparison of the financial ratios

Profitability ratio

Net profit margin					
	2022	2021	2020	2019	2018
Net profit	-1,357	8,487	-20,729	4,190	9,578
Total revenue	2,48,891	1,64,195	1,83,500	2,82,616	3,03,738
Net profit/Total revenue *100	-0.545219	5.16885	-11.296	1.48258	3.15338

Figure 6: Net profitability of BP plc

(Source: Self-created)

BP is one of the major organisations in the oil and energy industry which has been capturing a strong share within the market sector. The organisational revenue of the company has been identified as 303738 in the year 2018 and within the year the company has generated a profit of 9578. In the year 2019, the revenue of the company was 282616 and the profit was 4190 in the year 2020 the organisational revenue was 185500 and the profit was -20729. The company generated revenue of 167195 in the year 2021 with a profit of 8,487 and in the year 2022 the revenue was 248891 and the profit was -1357. It has been analysed that the organisation currently facing loss within its profit level which has not been effective for the company. As per the comment of Almashhadani (2021), organisational CSR initiatives have been effective in the enhancement of organisational profitability. Compared to BP, Shell has been running its profitability with effective enhancement in revenue and sales.

Liquidity ratio



Current ratio	2022	2021	2020	2019	2018
Current assets	1,07,668	92,590	72,982	82,059	71,310
Current liabilities	99,018	80,287	59,799	73,595	68,237
Current assets/current liabilities	1.08736	1.15324	1.22046	1.11501	1.04503

Figure 7: Current ratio of BP plc

(Source: Self-created)

The current ratio of BP in the past five years has been analysed within the above figure. The current assets of the company were 71310 in the year 2018 which has increased to 1076668 in the year 2022. It has been identified that the current assets of the company have been continuously increasing except from the year 2020 which was 72982 and it is lower than its past year 2019 which was 82059. The current liabilities of the organisation have also been increasing continuously which were 68237 in the financial year 2018 and identified as 99018 in the financial year 2022. The current assets of the company along with liabilities have been growing from the analysis of 2018 to 2022. On the other hand, the current ratio of Shell has also been increasing from the financial 2018 to 2022. The current ratio of assets and liabilities for the recent financial year 2022 of Shell Plc has been identified as 163087 and 121311 which is higher than BP.

Gearing ratio

Debt-to-equity ratio	2022	2021	2020	2019	2018
Total debt	2,05,130	1,96,833	1,82,086	1,94,486	1,80,628
Total shareholders equity	71,250	71,250	71,250	98,412	99,444
Total debt/ total shareholders equity	2.87902	2.76257	2.55559	1.97624	1.81638

Figure 8: Debt-to-equity ratio of BP

(Source: Self-created)

The above figure has analysed the debt-to-equity ratio of BP which has been effective for the identification of debt of the company. As per the statement of Wang *et al.* (2022), it has been analysed that organisations need to repay their organisational debt to enhance efficiency in the competitive market. Increasing debt for an organisation could not be effective for organisational growth and in that situation; organisations need to develop strategies to decrease debt. The debt of the company has increased from the year 2018 to 2022, in the year 2018, the debt of the

company was 180682 and in the year 2022 was 205130. On the other hand, shareholder equity has decreased from the year 2018 to 2022 which was 99444 in the year 2018 and 71250 in the year 2022. Compared to Shell Plc the company has lower debt and Shell Plc has 250427 debts in the year 2022.

Efficiency ratio

Asset turnover ratio	2022	2021	2020	2019	2018
Sales	2,48,891	1,64,195	1,83,500	2,82,616	3,03,738
Total assets	2,88,120	2,87,272	2,67,654	2,95,194	2,82,176
Sales/Total assets	0.863845	0.57157	0.68559	0.95739	1.07641

Figure 9: Assets turnover ratio of BP

(Source: Self-created)

The sales of BP were 303738 in the year 2018 and in the year 2022, the sales of the company were 248891. It can be observed that the sales of the company have been decreasing which has not been effective for the organisational growth of the company. However, in the year 2021, the organisation has faced the highest decrease in its sales which has been analysed as 164195. The total assets of the organisation have slightly increased in the year 2022 from the year 2018 which was from 282176 to 288120. Compared to BP, Shell has been trying to enhance its continuous sales from year to year and the sales of the company have been identified as 381314 in the year 2022.

Recommendations to improve the Financial Management

- ***Effective management of debt*** cash flow management must be more effective for healthy management of finance. Shell's debt management strategy is good however more effectiveness in the management is highly needed. Paying off the debts on time will ensure the smooth running of the business. They must always avoid taking excessive amounts of debt and grow on a positive note.
- ***Creating a budget*** Making a budget is the most important and first step of financial management. The estimation of money is needed, which ideally needs to be spent each month based on their wants.
- ***Need of investors***, as their debt is growing day by day and to reduce it they need some more investors. The reduction of debt will help Shell to buy other needed products freely.



- **Risk management** plans, implementing regular risk assessments, conducting regular audits, establishing channels of communication, training employees, and assigning responsibilities and roles. The business strategy is determinant of the amount of risk factors and managing the risks that are assessed (Weber and Müßig 2022). The growth of Shell is in a positive line and therefore there risk factors are. They must always be focused on their betterment and on avoiding losses.
- **Proper tracking of spending** is a must for the betterment of Shell. They must keep their records on each spending in a sequence and in a clear form for better operation of management.
- **Cash savings** are a need as if they save cash; it will help them to buy products in the future. It will provide more financial stability, the ability to reinvent, and increase liquidity.
- **Monitoring of financial position**, proper monitoring of the financial positions of Shell on a daily basis. They must know how much money they have in their bank accounts, and have a clear vision of the sales they are making and their stock levels.
- **Controlling overheads and becoming more efficient**, saving energy and making money by proper implementation of behavioural changes and use of existing materials efficiently.
- Ensuring that **customers pay on time**, major problems arise because of late payments of customers. The risk of late payment needs to be reduced by quickly raising invoices that are accurate.
- **Tackling of problems**, the problems need to be tackled before it becomes too late for Shell by assessing the risk factors and improving cash flow management.
- More **clear business plan**, Shell must follow a more clear business plan that will help them in future growth.
- Set **financial goals**, financial goals must be set to avoid overspending and stay focused. In order to achieve long-term goals, Shell has to set their financial goals in an accurate manner.



- **Start investing early**, early investments is significant and it is advisable to start saving money for the future of the business. This will help Shell to grow their wealth and increase their success rates in the future.

Part c) Evaluation of PBP, ARR, NPV calculation, and recommendation

1. Calculation and evaluation of ARR, NPV, and PBP

NPV	£m
Cost of capital	0.75%
Period	Cash flow
0	-5000
1	2500
2	2000
3	1000
4	-442
NPV	0.57
Average annual profit	1264.5
Accounting rate of return (ARR)	25.29

Figure 10: NPV and ARR of project A

(Source: Self-created)

The protection of the NPV projected in the above figure has been seen to be accounted for by having the assessment of the valuable investment opportunity on the basis of project A as suggested cash flow. The net present value of a project that is above zero helps to evaluate the measurement of the project value in terms of investment opportunity (Lu and Yin, 2021). In terms of these, the NPV value of Project A is 0.57. As the considerable value denoted for NPV is required to be above zero, the investment plan for this project is seen to not bring the intended advantage to Shell Plc. Further, the denoted ARR value is seen to be calculated at 25.29 for Project A.



NPV	£m
Cost of capital	0.75%
Period	Cash flow
0	-1000
1	1500
2	1000
3	1000
4	-470
NPV	1995.67
Average annual profit	757.5
Accounting rate of return (ARR)	75.75

Figure 11: NPV and ARR of Project B

(Source: Self-created)

The above figure shows the projection of the net present Value of Project B that will influence the investment decision of Shell Plc. It has been seen that the calculated value of the NPV has to be denoted above zero that is 1995.67. Further, the ARP value is seen to be 75.75 for Project B. This can offer a good opportunity for the company to invest.

Year	Cash flows	Cumulative cash flows
0	-5000	-5000
1	2500	-2500
2	2000	-500
3	1000	500
4	-442	58
Negetive cash flow years		3
Last negetive cash flow		-500
Cash flow in the next year		500
Financial period		1
Payback period		4

Figure 12: Payback period of project A

(Source: Self-created)

Proper calculation of the payback period enables the company to assess the associated risk of investment. Dai *et al.* (2022), refer to PBP demonstrating the amount of time that is expected



before an investment will be returned in order to form the income of the company. The PBP for Project A has been calculated to 4 as estimation has been projected in the cash flow of Project A.

Year	Cash flows	Cumulative cash flows
0	-1000	-1000
1	1500	500
2	1000	1500
3	1000	2500
4	-470	2030
Negetive cash flow years		1
Last negetive cash flow		-1000
Cash flow in the next year		500
Financial period		2
Payback period		3

Figure 13: Payback period of project B

(Source: Self-created)

The calculation of the potential *investment opportunity represented by Project B is seen to be high in comparison to Project A*. It can be reasoned by stating that the payback period of Project B is 3, which is comparatively shorter in comparison to the denoted PBP value of Project A. Thus, Shell Plc is required to consider Project B for the potentiality of investment it is looking for.

2. Recalculation of NPV

NPV	£m
Cost of capital	0.75%
Period	Cash flow
0	-5500
1	2750
2	2200
3	1100
4	-486.2
NPV	0.63

Figure 14: Recalculation of NPV of Project A

(Source: Self-created)

Shell has to consider increasing the NPV value to 10% for Project A in terms of reconsidering the decision to invest. This has enabled the company to see the value of the NPV of the Project to be changed into 0.63. In such a case, Project A cannot be taken into account for the investment opportunity as the value determined is still below zero. This decision cannot be considered fruitful for Shell Plc. This can be reasoned by stating that the value denoted below zero that projects the company may have negative cash flow if the investment has been considered in Project A. In accordance with the statement of Ahmadullo o'g'li (2023), the cash flow assessment is considered to be important for the determination of the firm's financial health projection. In terms of the recalculated and reconsidered cash flow of Project A has been seen to be unable to improve the NPV value above zero. This negative cash flow has been seen to be the reason for having less effective financial health for the company. Therefore, it can be stated that the company is required not to consider the decision to invest in Project A.

NPV	£m
Cost of capital	0.75%
Period	Cash flow
0	1100
1	1650
2	1100
3	1100
4	-517
NPV	4395.24

Figure 15: Recalculation of NPV of project B

(Source: Self-created)

The recalculation of the NPV value of Project B is seen to be improved after the increment of the initial investment value at a rate of 10%. The evaluation deduced from the calculation with an increment of 10% in the initial investment value of NPV of the second project is seen to be 4395.24. This increment in the NPV can be a positive and good sign for the investing

organisation as it enables the company to project the generation of cash flow in the future. This further shows that the investment in Project B is profitable for Shell plc. Another reason for this particular declaration is that the project with a higher net present value also has the potential to show a higher internal rate of return in comparison to the base value (Wang, 2021). These further projects that the company will get a chance to have a future cash stream that is considerably higher than the amount of invested money in the project.

Based on the above discussion and comparison between the two projects grading the potential investment opportunities these projects have, Shell Plc is required to consider Project B in terms of having high PBP and NPV in terms of securing positive cash flow in the future.

3. Advantages and shortcomings of PBP, NPV, and ARR

Payback Period (PBP)

The payback period is a financial metric that helps investors, financial experts, and corporations to calculate investment returns. The major advantages of the Pay-back period method are its simplicity and effectiveness in ***managing liquidity***. As stated by Sinaga *et al.* (2023), the payback period method has been favoured at the time of liquidity constraints of a company as this method has been able to predict the duration taken by it to recover the money lay out by the project. However, the pay-back period method ***ignores cash flow*** beyond the payback period which ultimately leads to avoidance of profitability within a project.

Net Present Value (NPV)

The net present value (NPV) method is widely appreciated for determining the total value of an investment opportunity. This method has been extremely beneficial for ***considering the time value of money***. As stated by Shou (2022), net present value focuses on discounting the future cash flow in order to determine its present value. The major shortcoming of this method has been considered to be its ***difficulty in determining discount rates***. NPV can be difficult to ensure an accurate discount rate, by which the investment's risk premium can be represented.

Accounting Rate of Return (ARR)

The Accounting Rate of Return is a simple method or formula for measuring and determining the profitability of an asset or project. The advantage of the ***ease of use*** makes this method more effective and advantageous for leveraging this method in a project's financial purposes. As stated

by Warren *et al.* (2020), accounting rate of return has been an easy-to-understand and straightforward method for evaluating the potential profitability of an investment. However, the ARR method is ***based on profit rather than cash flows***, which is an indication of avoiding the timing of profits as well as the time value of money.

4. Management of non-financial factors

Customer satisfaction

The organisational operation of Shell Plc has been seen to be dependent on the promotion of the brand on the basis of “word of mouth”. Based on the brand reputation created by the company, Shell Plc has imposed the factors based on which customer satisfaction can be increased by optimising the rate of new customer engagement at the same time. As per the view of Agag *et al.* (2023), organisations are required to foster the proper assessment of customer feedback. In terms of that, the customer’s feedbacks are seen to be infused in terms of optimising the effectiveness of the service of Shell Plc.

Employee engagement

Employee engagement is seen to be another crucial aspect of the company's business effectiveness determination. In accordance with the statement of Van Nguyen *et al.* (2021), customer engagement is important for a global brand in terms of the management of brand recognition and reputation efficiency in business performance. In reference to this, Shell Plc is required to improve the employee engagement policy in terms of improving the brand image by supporting employees’ physical and mental health. The organisation is required to be more effectively conducting employee engagement surveys more to improve and initiate an employee reward system.

Market trends

The marketing goals are seen to be implemented in the business in order to achieve the purpose of efficiency in making industrial practice less challenging. The market trend is determined by the assessment of the overall business direction which helps to analyze the market performance of the business technically to predict stock exchanges (Nti *et al.* 2020). Thus, Shell Pl is required to optimise the technical implementation to assess the market data in terms of managing the

business valuation. The implementation of AI analytics can offer effective market forecasts about the stock exchange to promote brand reputation in the global market.

Industry competition

Industry competition is required to be taken under serious consideration as it allows the company to develop an efficient strategy for better performance in the market practice. According to Dagnino *et al.* (2021), the company is required to focus on temporary competitive advantages to evaluate the sustainable ones. The more sustainable competitive advantage the company gets, the more brand sustainability will be achieved with a competitive edge in the operating market. Thus, Shell Plc is required to get an efficient resource-based view for the proper allocation of resources in terms of outlawing the market competitors.

Conclusion

The study sheds light on the company's effectiveness in getting a higher rate of ratio in terms of the last five years' financial matrices evaluation. This highlights the healthy condition of Shell Plc in terms of confirming financial stability comparing BP Plc. However, based on the identified risks, investment recommendations have been made for Project B.

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