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**Assignment Title: Financial performance and
management**

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Table of Contents

Introduction	3
1. Financial Health Check	5
1.1 Financial Performance of Tesla (Five-Year Review)	5
1.1.1 Income statement analysis	5
1.1.2 Balance sheet analysis	5
1.2 Liquidity Ratios	6
1.3 Profitability Analysis	7
1.4 Efficiency Analysis	8
1.5 Gearing (Solvency) Analysis	9
1.6 Investment Ratios	10
1.7 Cash Flow Position	12
2. Working Capital Management Analysis	13
2.1 Cash Operating Cycle Analysis	13
2.1.1 Inventory outstanding	13
2.1.2 Sales outstanding	14
2.1.3 Payables Period	15
2.1.4 Net Operating Cycle Evaluation	16
2.2 Working Capital Improvement Strategies	16
2.3 Short-Term vs. Long-Term Financing Evaluation	17
2.3.1 Short-Term Options	17
2.3.2 Long-Term Options	18
3. Strategic Financial Restructuring Plan	20
3.1 Address Financial Problems	20
3.2 Financial restructuring Options	21

3.3 Restructuring impact	23
3.4 International and Ethical Considerations	24
4. Investment Appraisal and Capital Budgeting	28
4.1 Three proposed investment projects	28
4.2 Critical Evaluation about efficiency of Projects	28
4.2.1 Project A	28
4.2.2 Project B	28
4.2.3 Project C	29
4.3 Combination of project best through Capital Rationing	29
4.4 Recommendation for managing companies performance	30
4.5 Non-financial risk associated with the project	31
Conclusion	34
References	35
Appendices	41
Appendix 1: Ratio analysis	41
Appendix 2: Investment appraisal calculation	45

Introduction

Tesla is a popular automobile company that has focused on enhancing the production of e-vehicle models to meet the demands of the customers. The purpose of the report is to provide a critical discussion regarding the financial and operational performance of the automobile company and its impact on its business operations.

1. Financial Health Check

1.1 Financial Performance of Tesla (Five-Year Review)

1.1.1 Income statement analysis

The key analysis of financial performance also illustrates the mixed performance trend in the last two years 2023-2025 reflecting demand saturation of rising operational cost. Hence, total revenue fluctuated from \$96,773 million in 2023 to \$94,827 million in 2025 mainly due to the higher fluctuation of automotive sales demand growth (Tesla, 2025). In addition, sales value fall abruptly from \$78,509 million to \$65,821 million also make difficulty managing inventory position with operational cost priorities in Tesla. However, diversification of business streams towards energy generation and storage captivity also increased potential revenue optimization from \$6,035 million in 2023 to \$12,771 million in 2025 (Tesla, 2025). Overall, it is also helpful to make stable balance sheet position of Tesla towards optimizing operational fall with slow recovery process.

1.1.2 Balance sheet analysis

The stable asset and equity position also improve financial stability of Tesla in 2024-2025 with strong business streamline. Total value of assets is increasing at a rate of 12.89% from \$122,070 million in 2024 to \$137,806 million in 2025. Hence, this is generally influenced by adjournment of short term investment \$27,546 million and expansion in property, plant and equipment \$40,643 million (Tesla, 2025). This continuation of investment also actively increases production capacity and infrastructure in future EV vehicle processes. Hence, this prioritisation also abruptly increased the positional value of liabilities for \$48,390 million to \$54,941 million. Overall, it is also attributed to the need for additional paid in capital for minimizing deprivation asset value for the new investor system.

1.2 Liquidity Ratios

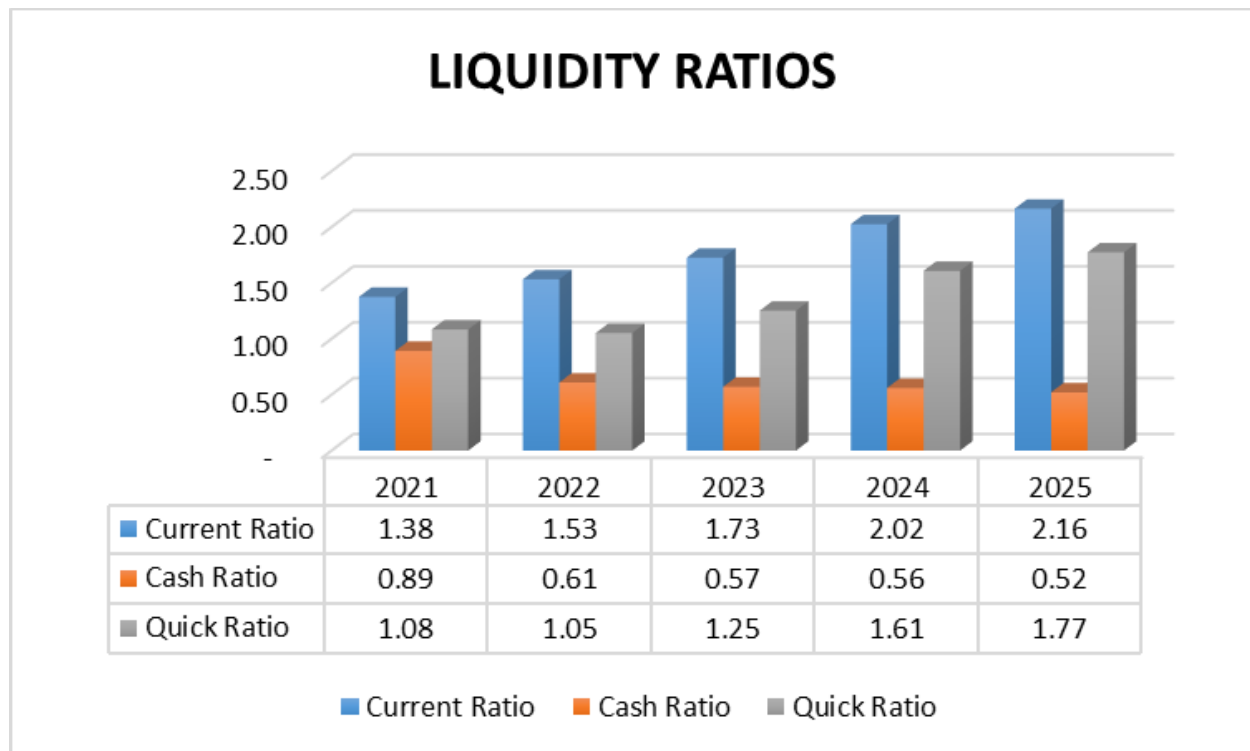


Figure 1: Liquidity Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of the trend

As per the above figure, Tesla has enhanced its current ratio by 36.11% from 2021 to 2025. The improvement in the assets has helped the organisation in reducing delays in its business operations. On the other hand, the automobile company has also reduced its cash ratio from 0.89 in 2021 to 0.52 in 2025. Tesla has increased its capital expenditure to around \$20bn due to the rise in the cost of automobile vehicles in 2026 (Roy and Sriram, 2026). The enhancement in the business expenses has also reduced the financial stability of the company. In addition, Tesla has also improved its quick ratio by 63.88% in 2025. The strengthening of the inventory activities has helped Tesla in improving its product quality.

Strength

The improvement in the current ratios has helped Tesla in improving the quality of its supply chain operations.

Limitation

The lowering of the cash value has hampered the financial resources of Tesla that has also caused delays in the completion of the business activities.

1.3 Profitability Analysis

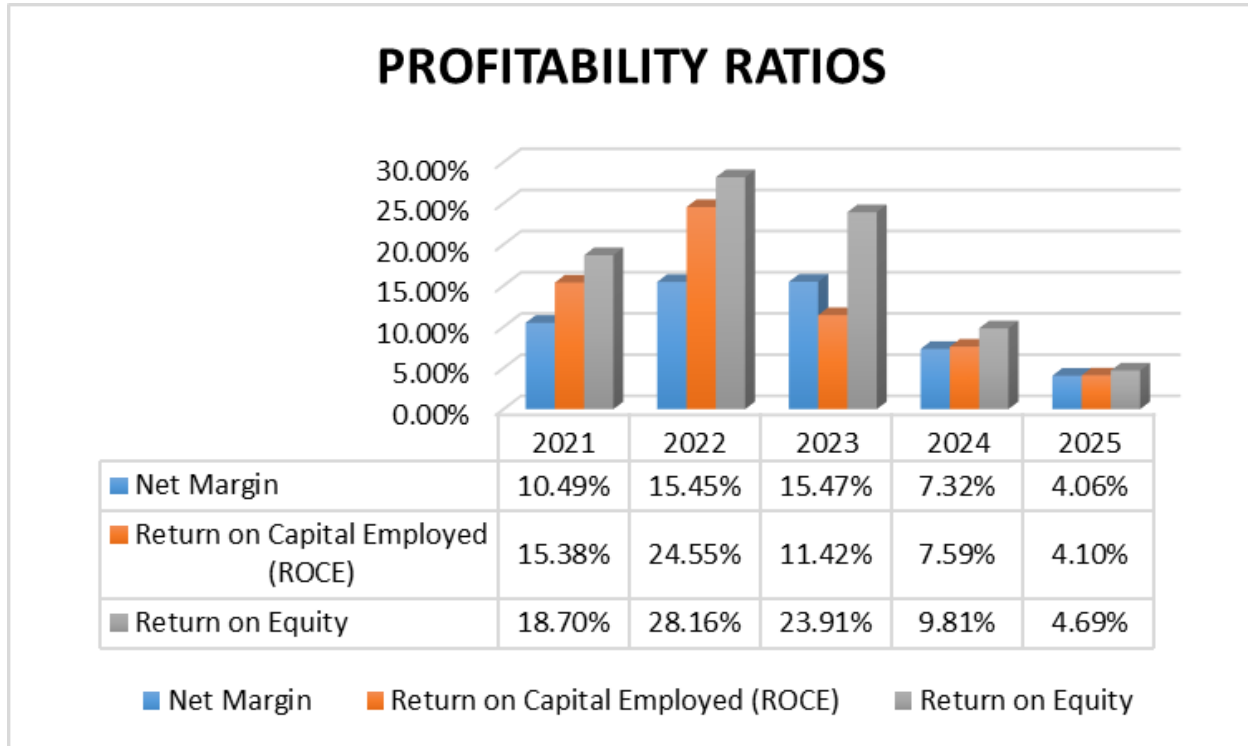


Figure 2: Profitability Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of trend

The probability ratio examined the company's ability to generate earnings by using net profit margin, which indicated operational efficiency (Ramdhan, Yulianti and Parlina, 2025). The net margin of Tesla decreases 6.43% from 2021 to 2025 leading to a rise in EV markers and presence of traditional manufacturers showcases its intense competition in the market. The revenue of Tesla is about \$94.8 billion in 2025, which trends to increase 2.93% in 2024 (Macrotrends, 2025). The ROCE decreases about 11.28% in 2025 leading to aggressive price cutting due to stiff competition which in term leads to reduced operating income of business. The operating income is about \$4.355b in 2025 by showcasing a decline of about 38.45% from 2024 (Macrotrends, 2026). The rising cost of product enhances R&D investment by designing AI training and robotics adoption in its business operational streamline efficiency. Return of Equity decreases about

74.92% in 2025 due to decline in profitability of Tesla by increased operating cost and low purchasing power.

Strength

Tesla is profitable by reduction of high cost investment and lowering down long-term debt showcases higher operational efficiency.

Limitation

The ROCE of Tesla decreased due to high volatility in the market and intense competition which in terms leads to price cost based on presence of different product models in the market.

1.4 Efficiency Analysis

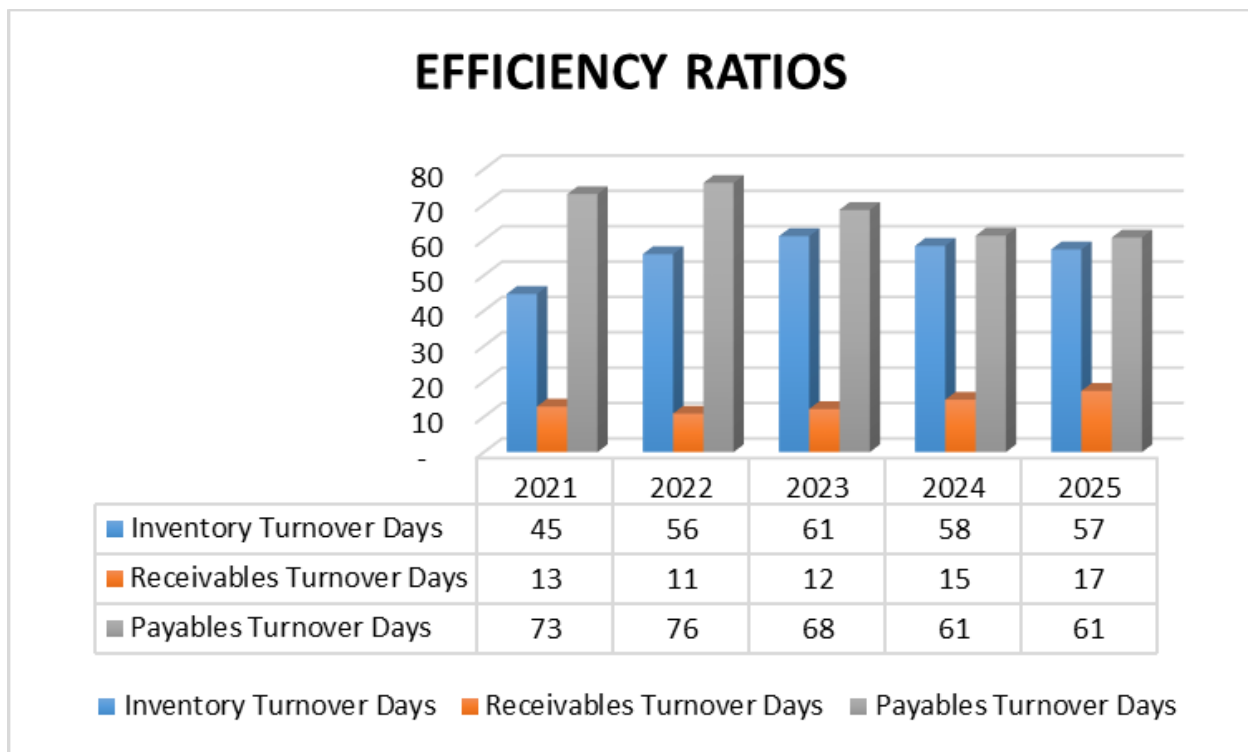


Figure 3: Efficiency Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of trend

The key efficiency ratio analysis is provide asset management capability of organisation for better indication of operational flexibility in market (Febrianto et al., 2025). Thus, fluctuation trend of from 2021-2025 of Tesla about efficiency ratios indicating operational instability in market. Total investor turnover of 5 days in 2021 to 61 days in 2023 also indicated slower inventory turnover with scaling production capacity of the organization (Tesla, 2023). In 2025, it will also be

improved by 57 days in 2025 with a recovering 6.6% declination rate of 2023. For instance, this decline will also be disrupted before recovery by about 20% market share in 2024 with 17.8 million sales (Allan, 2025).

In another hand, a total of 15.4% decline in receivable turnover days from 13 days in 2021 to 11 days in 2022 indicates a more stable recovery of customer collection. However, it also rose by 54.5% compared with 2022 towards 17 days in 2025 indicating purchasing disparity of long term sellers (Tesla, 2025). In contrast, payables turnover days decreased from 76 days in 2022 to 61 days in 2025, a 19.7% decline, showing Tesla is paying suppliers more quickly.

Strength

The effective improvement of inventory efficiency and stable supplier payment periods also navigate smoother operations with better working capital management.

Limitation

Increasing receivable collection days indicate slower cash inflows and potential pressure on short-term liquidity.

1.5 Gearing (Solvency) Analysis

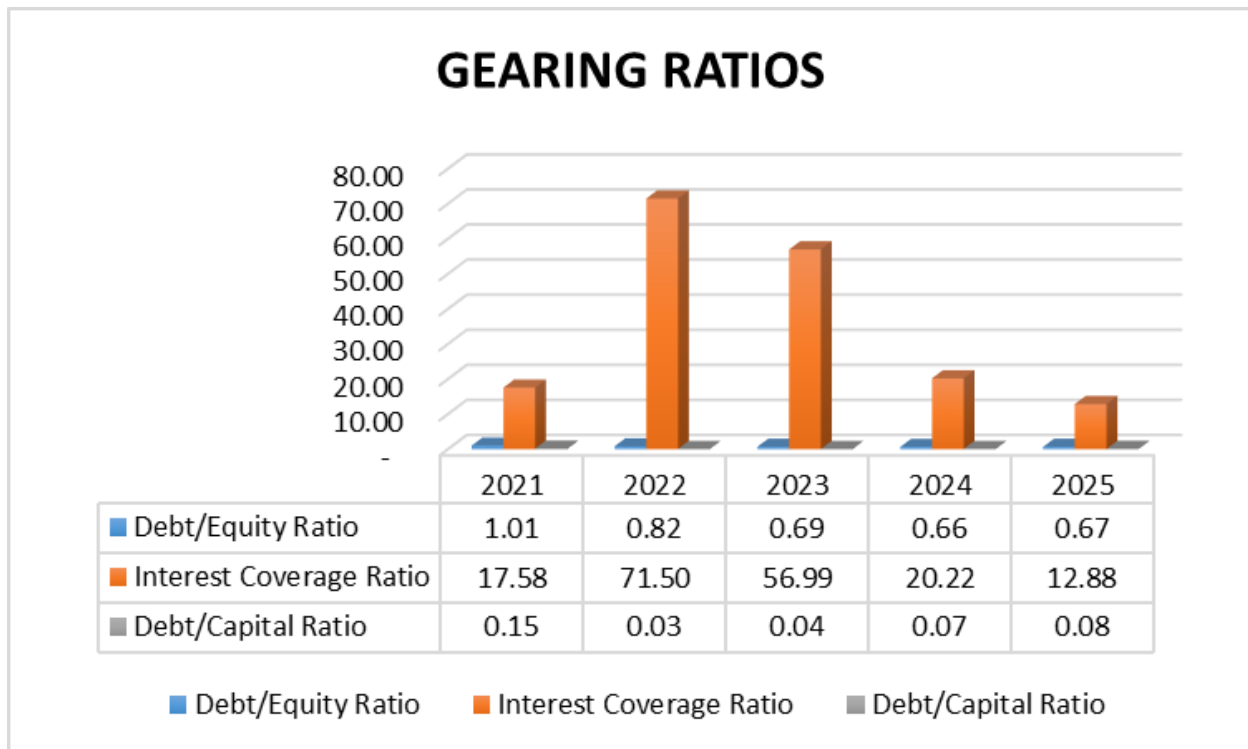


Figure 4: Gearing Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of the trend

The Gearing Ratios helps investors in acquiring knowledge regarding the internal and external capital management activities of the organisation. Tesla has improved its debt/equity value by 33.66% in 2025. Tesla has acquired financial assistance from “xAI” worth \$2bn for increasing the production of Cybercab Robotaxi in 2026 (Sriram and Roy, 2026). The investment has also helped the automobile company in overcoming market competition. On the other hand, Tesla has also reduced its interest coverage value by 26.73% in 2025. The lowering of the income has hampered the product demand of the company. For example, Tesla has reduced its EV sales value to \$26.4bn due to an increase in automobile tariffs in 2025 (Sriram and Roy, 2025). The decline in production demand of Tesla has also hampered its competitive advantage over other organisations.

Strength

The collaboration with xAI has helped Tesla in expanding its product line and meeting the changing demands of its customers.

Limitation

The lowering of the EV sales has also increased the market competition for Tesla and lowered the popularity of its commodities.

1.6 Investment Ratios

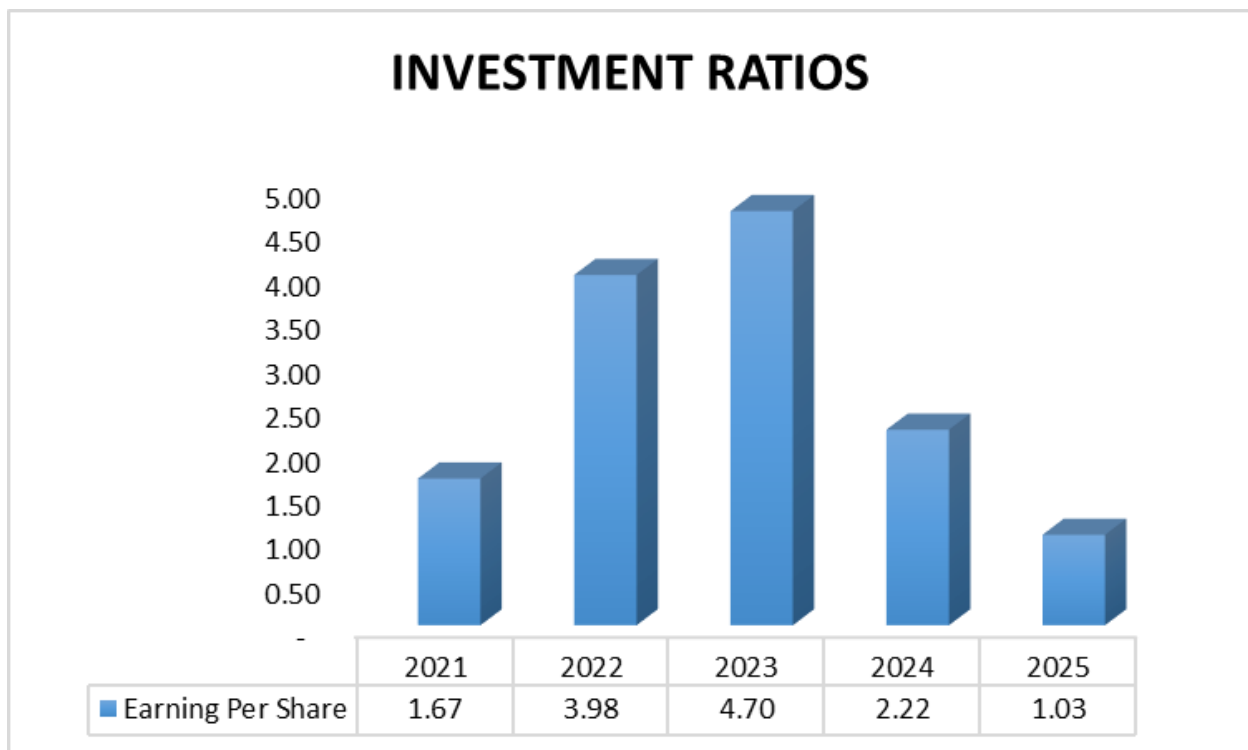


Figure 5: Investment Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of trend

The investment ratio measures the relationship of profit generation and capital invested to manage overall performance of the organization (Aradhana, Sofyaun and Matyani, 2025). The earnings per share decreased about 38.32% in 2025 leading to high rises in operational expenses and slowed down overall profit margin due to intense competition in the market. Tesla's production growth slows down 9% in 2025 by falling vehicle deliveries by about 1.64 million due to significant lines and presence of rivals in the market. The share outstanding of Tesla is about 3.75 billion in 2026 which will be addressed due to issuing of new shares and through acquisition enhance overall profitability in business (Yahoo Finance, 2025). Tesla through use of these shares serves employees with proper compensation by maintaining stock packages in gaining higher profitability in the market. The overall profitability of the business has been addressed through staff competition by shrinking down its profit margin due to stock movement.

Strength

Tesla's manage its overall cash through by more investment in R&D towards maintaining long profit margins to remain competitive in the market.

Limitation

The high earnings per share leads to significant downturn by slowing down turnover in inventory and hampering business repetition.

1.7 Cash Flow Position

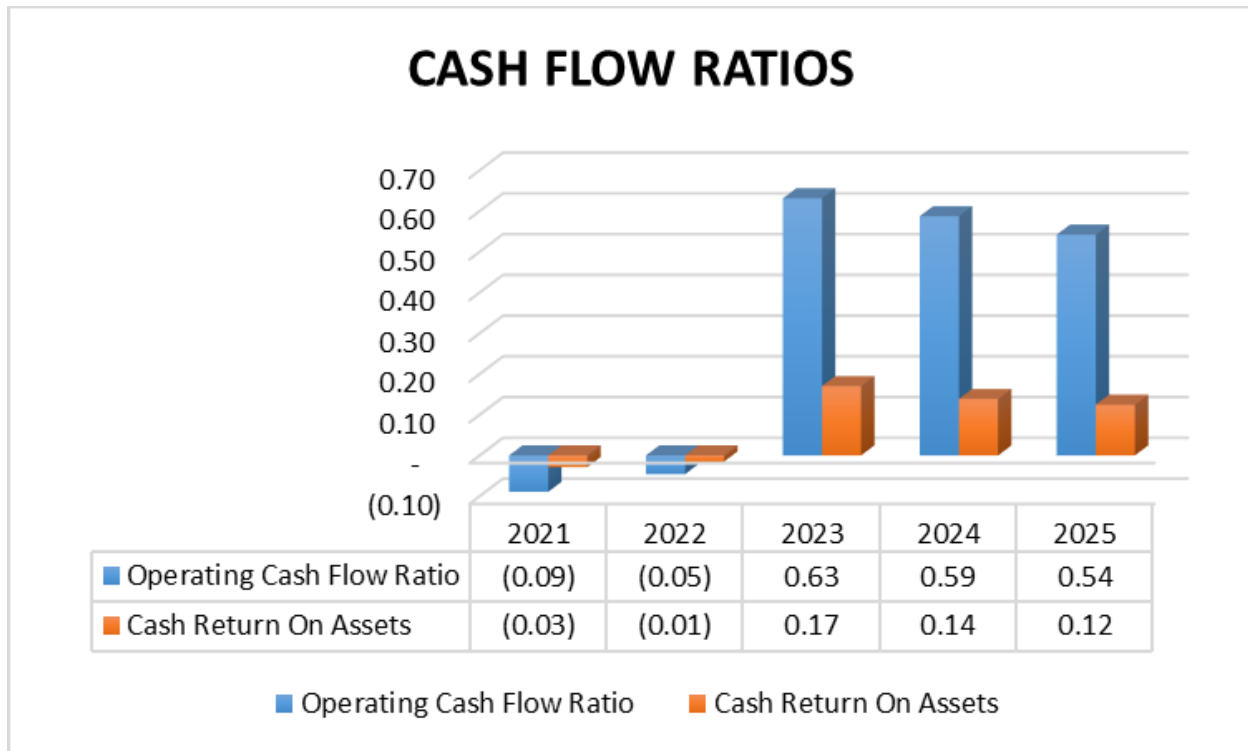


Figure 6: Cash flow Ratios

(Source: Tesla, 2022; Tesla, 2023; Tesla, 2025)

Evaluation of trend

Cash flow ratios are the most significant financial metrics that provide payoff ability with management of the cash position of an organization. Hence, the image also describes improved performance of cash flow ratios with better management of cash position of Tesla in 2021-2025. Operating cash flow ratio also be attributed of 44.4% improvement from -0.09 in 2021 to -0.05 in 2022 (Tesla, 2022). In addition, it will also be successively increasing 0.63% in 2023 due to stable operational turnaround with cash flow increased to \$18,144 million. Further, it is also to be followed by 6.3% decreasing 0.59 in 2024 and 0.54 in 2025 (Tesla, 2025). However, CROS was also be 14.3% decreasing 0.54 in 2025 influence cash efficiency of Tesla in effectively.

Strength

Positive cash return on assets since 2023 shows improved ability to generate cash from total assets.

Limitation

Declining cash return on assets from 0.17 to 0.12 indicates assets are growing faster than cash flow generation.

2. Working Capital Management Analysis

2.1 Cash Operating Cycle Analysis

2.1.1 Inventory outstanding

Year	Average Inventory (\$m)	Cost of Sales (\$m)	Manual Calculation	Inventory Days
2021	4,929	40,217	$(4,929 / 40,217) \times 365$	45
2022	9,298	60,609	$(9,298 / 60,609) \times 365$	56
2023	13,232.5	79,113	$(13,232.5 / 79,113) \times 365$	61
2024	12,821.5	80,240	$(12,821.5 / 80,240) \times 365$	58
2025	12,204.5	77,733	$(12,204.5 / 77,733) \times 365$	57

Figure 7: Inventory Outstanding

(Source: Self-Developed)

Tesla has increased its investments from \$4929m in 2021 to around \$12204m in 2025. The organisation has emphasised upon including digitalisation in its business operations for improving its service quality. For example, Tesla has invested \$30bn in developing the “Robotaxi Mobile Application” that has helped the customers in enhancing the product awareness level in 2026 (Klender, 2026). The adoption of digitalisation has helped Tesla in improving its operational productivity. In addition, Tesla has also enhanced its COGS value from \$40217m in 2021 to \$77733m in 2025. The improvement in the selling cost has also increased the product demand of the organisation. For example, the production value of e-vehicles manufactured by Tesla has increased from \$26.4bn in 2024 to \$28.5bn in 2025 (Sriram and Roy, 2025). The improvement in the product demand has helped Tesla in improving its operational efficiency.

2.1.2 Sales outstanding

Year	Average Receivables (\$m)	Revenue (\$m)	Manual Calculation	Receivable Days
2021	1,899.5	53,823	$(1,899.5 / 53,823) \times 365$	13
2022	2,432.5	81,462	$(2,432.5 / 81,462) \times 365$	11
2023	3,230	96,773	$(3,230 / 96,773) \times 365$	12
2024	3,963	97,690	$(3,963 / 97,690) \times 365$	15
2025	4,497	94,847	$(4,497 / 94,847) \times 365$	17

Figure 8: Outstanding Sales Value

(Source: Self-Developed)

As per the above table, Tesla has also achieved a revenue growth of 76.87% in 2025 as compared to 2021. The improvement in the business income has helped the organisation in overcoming market uncertainties in its business operations. Tesla has increased the sales volume of its e-vehicles by 56000 units due to a rise in product demand in China (Yahoo Finance, 2025b). The improvement in the consumption of the automobile has also provided growth opportunities for the company. On the other hand, Tesla has also increased its accounts receivable value from \$1899m in 2021 to \$4497m in 2025. The enhancement in the product demand and management of creditors has helped Tesla ensure the smooth completion of its business operations.

2.1.3 Payables Period

Year	Average Payables (\$m)	Cost of Sales (\$m)	Manual Calculation	Payable Days
2021	8,038	40,217	$(8,038 / 40,217) \times 365$	73
2022	12,640	60,609	$(12,640 / 60,609) \times 365$	76
2023	14,843	79,113	$(14,843 / 79,113) \times 365$	68
2024	13,452.5	80,240	$(13,452.5 / 80,240) \times 365$	61
2025	12,922.5	77,733	$(12,922.5 / 77,733) \times 365$	61

Figure 9: Payable period

(Source: Self-Developed)

The payable days in 2025 is about 61Days which leads to a high in 2022 about 76 Days which showcases a positive shift in the conversion of cash and generate sales through managing of current assets. The working capital of Tesla has declined about 2.57%, showcases reduction of sales and ability to invest on working capital through intense competition in the market (Mehta, 2026). The pertaining cash flow at Tesla is about \$14.7billion in 2025 with its free flow about \$6.2 billion in 2025. This in terms leads to rapid growth of energy storage for EV by showcasing high volatility in managing high cash streams (Tesla, 2026). The company enhances improvement in operation by practices of high production which leads to enhanced overall sales of the business. Thus, maximizing cash encounters a shift in managing core value of business through significant manufacturing.

2.1.4 Net Operating Cycle Evaluation

Year	Inventory Days	Receivable Days	Payable Days	Manual Calculation	Net Operating Cycle (Days)
2021	45	13	73	$45 + 13 - 73$	-15
2022	56	11	76	$56 + 11 - 76$	-9
2023	61	12	68	$61 + 12 - 68$	5
2024	58	15	61	$58 + 15 - 61$	12
2025	57	17	61	$57 + 17 - 61$	13

Figure 10: Operating cycle evaluation

(Source: Self-Developed)

The above table reflects the negative cash conversion cycle in 2021, which is -15 that encountered significant improvement in 2025 which is about 13. This showcases long capital maintenance, which is more reliable for the complex growth of a business. The cash equivalence at Tesla is about \$44.059 billion in 2025 by increasing energy storage capacity by showcasing strong operational results which in term showcases a significant transition (Tesla, 2026b). The revenue of Tesla increases in 2025, which showcases a slight decrease in vehicle deliveries, indicating operational efficiency of the business. The operating expenses of Tesla increased about 50%, which is about \$3.43 billion by showcasing its significant investment in R&D and AI, leading to a rising operating margin (Investing.com, 2025). The operational shift at Tesla was massively affected due to high capital expenditure leading to the development of AI infrastructure, global factor expansion and cyber truck production, resulting in vehicle sales.

2.2 Working Capital Improvement Strategies

Enhancement in digital investment opportunities

Tesla has focused on increasing its business investments to reduce the occurrence of delay in its business operations. For example, the organisation has invested \$20bn in including AI technologies in its “SUV Models” in 2025 (Carlson, 2026). The adoption of digitalisation has helped Tesla in improving its product quality and strengthening consumer relationships.

Enhancement in Revenue

Tesla has also stressed upon enhancing its business income for achieving growth in its organisational operations. For instance, the organisation has increased its operational revenue from \$30bn in 2020 to \$100bn in 2024. The improvement in the product sales value has helped Tesla in meeting its product requirements and achieving financial stability.

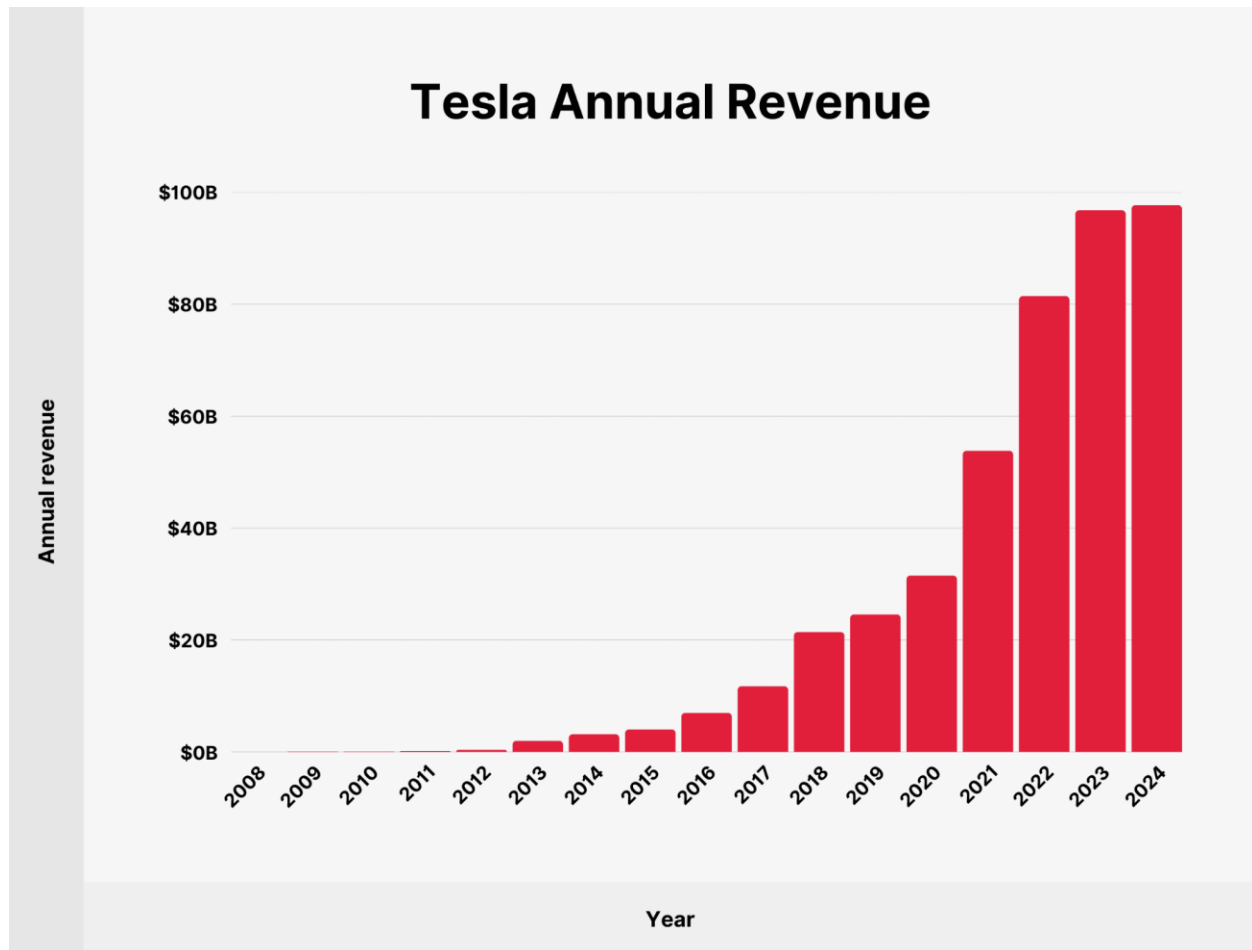


Figure 11: Revenue of Tesla

(Source: Dean, 2024)

2.3 Short-Term vs. Long-Term Financing Evaluation

2.3.1 Short-Term Options

Tesla incorporates trade credit as short-term financing by negotiating payment to sell vehicles by relying on debt. Tesco served specific discounts on every purchase of the vehicles and offered trade-in bonuses based on the final screening of vehicles. The credit rating of Tesla is about 40% rises, which is about \$1.5 billion, with its credit revenue sales falling by 21% (Fitch Ratings, 2021).

The company has the ability to resolve credit by reinforcing debt maintenance through efficient asset maintenance.

2.3.2 Long-Term Options

Tesla manages its corporate debts through bonds, maturing through significant cash flow maintenance and ongoing expansion which showcases sustained growth of the business. Based on the challenges, Tesla invests in green exposure by ability to boost business through sustainable indices and manage a competitive edge in the market (Tesla, 2025a). The company has the ability to manage assets through “securitization bonds,” which showcases strong energy growth by managing high-interest-rate risk.

3. Strategic Financial Restructuring Plan

3.1 Address Financial Problems

Enhancement in Operational Tariffs

The lowering of the investments has been a critical issue for Tesla that has also hampered its operational stability. For example, the organisation has reduced its share value by 50c due to increase in its tariff cost to \$400m in 2025 (Jose and Sriram, 2025). The enhancement in the business expenses has also reduced the product demand for the organisation. Tesla has reduced its market value from \$1540bn in 2024 to around \$715bn in 2025 (Soltani, 2025). The decline in the business investments has hampered the goodwill of the automobile company among the investors. Tesla has also increased the price of its EV models by \$1.7m due to enhancements in its production demand in 2026 (KTSM News, 2026). The enhancement in the operational expenses has also reduced the commodity popularity of Tesla among customers.

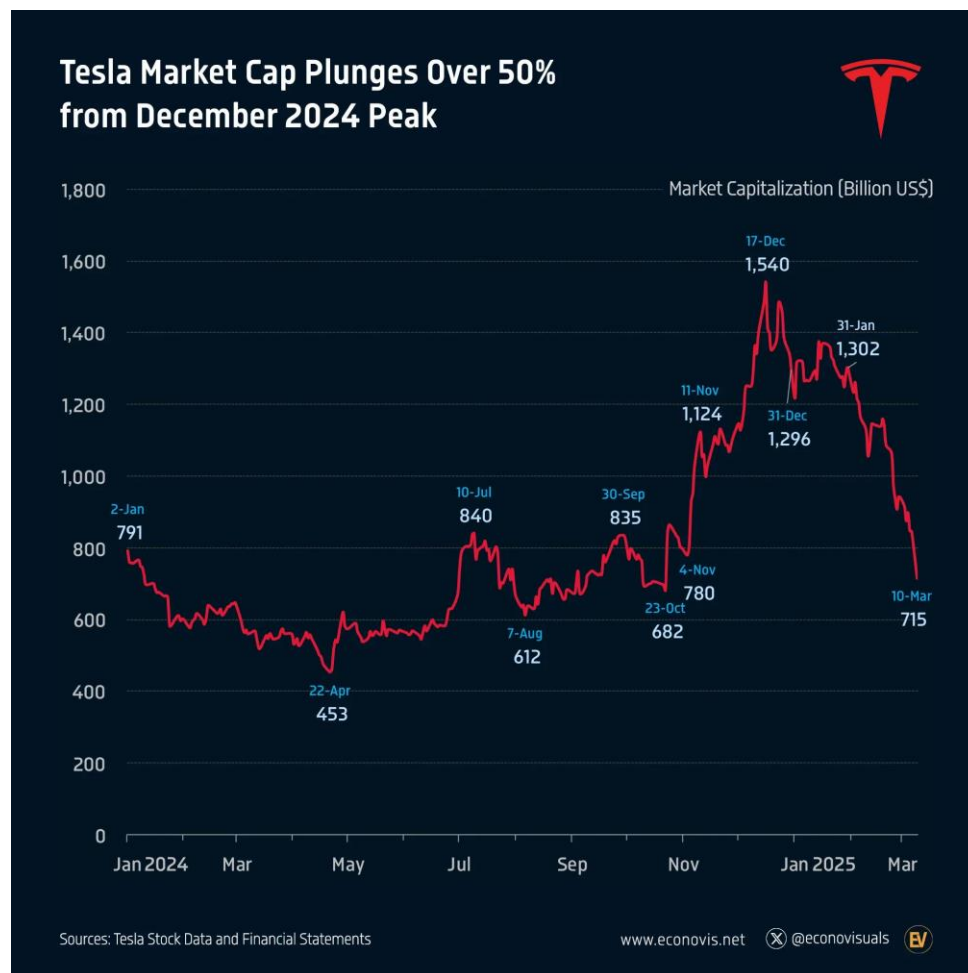


Figure 12: Market Capitalisation of Tesla in 2024-25

(Source: Soltani, 2025)

- **Profitability deterioration due to intensifying competition**

The net income of Tesla declined about 46% in 2026 which in turn led to a slowdown in the overall revenue of the business (Domonoske, 2026). The major causes of decline due to slow down vehicles sales, loss in leadership position and subsidiary removal affect overall brand value. The loss in market leadership is due to the wide rise of EV companies offering services at affordable prices which in term leads to a decline in brand value. The overall sales of Tesla declined leading to reduction of credit revenue and higher spending affect overall capital expenditure of the business. The continued price cut at EV products of Tesla leads to reduced overall profit per vehicle, which immediately affects overall profitability. Thus, this decline leads to uphold cash flow of Tesla by showcasing significant investment on robotics and technology which showcases long term growth.

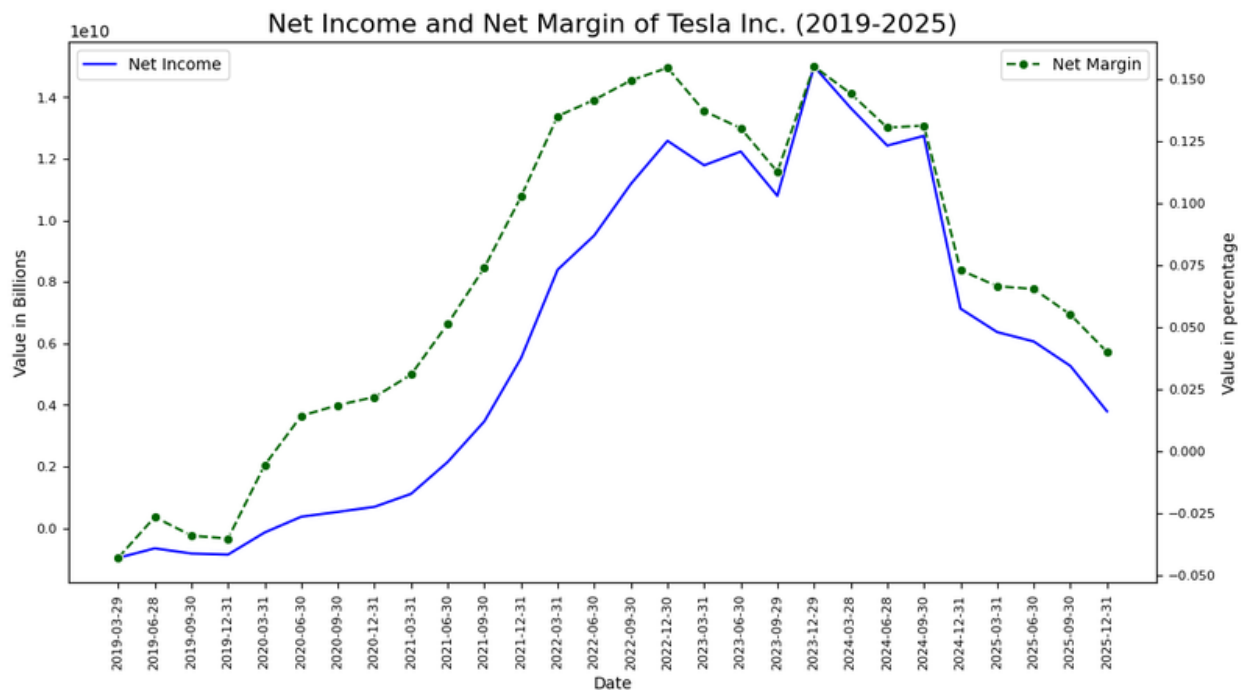


Figure 13: The share of Tesla decline

(Source: Equiti, 2026)

3.2 Financial restructuring Options

Enhancement in Equity Capital

Tesla has focused upon strengthening its internal capital management activities for ensuring smooth completion of its business operations. For example, the organisation has collaborated with

xAI worth \$250bn for developing platforms such as “Macrohard” to execute operations of software companies in 2026 (Reuters, 2026). The partnership has also helped the automobile company in improving its product demand among consumers. Tesla has increased its EV sales value from \$50000bn in 2021 to \$80000bn in 2025 (Market Screener, 2025). The improvement in the operational revenue has helped the automobile company in overcoming market competition. Tesla has also achieved tax credit worth \$11.46bn from the USA government in 2025 (Leparmentier, 2025). The investment has also helped the automobile company in strengthening its equity capital and ensuring timely completion of its business operations.

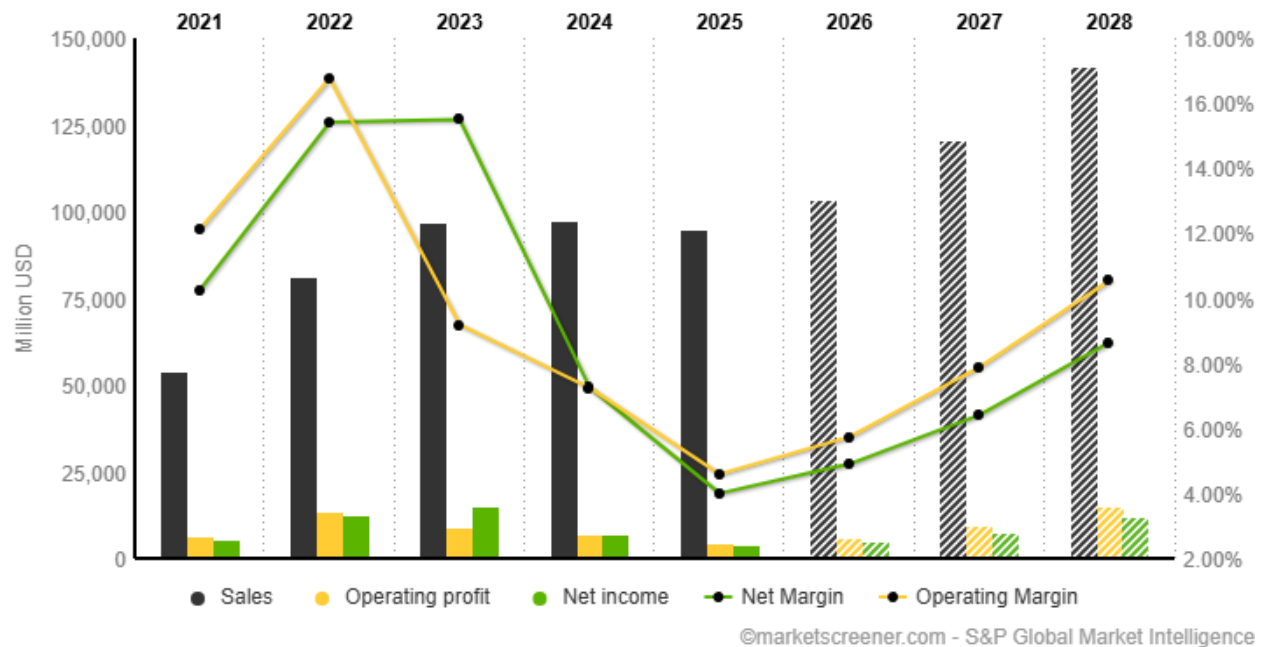


Figure 14: Sales Value of Tesla

(Source: Market Screener, 2025)

Merger and Acquisition

The merger and acquisition help the company to expand its business which in turn leads to enhanced market share by reducing stiff competition in the market. In 2025, Tesla boosted its manufacturing facility by strategic value by the German Suppliers “Manz AG Assets” enhanced improvement in overall production process (Rogies, 2025). The impact of the acquisition is more reliable for showcasing better production of EV with better battery manufacturing. Tesla is acquired by SpaceX regarding the integration of AI by announcing to encounter automation in its business operation which leads to a rise in overall revenue of the business. (Ludlow and Porter, 2026). Tesla encountered a shift in capital expenditure by ability to invest \$20billion which in term

showcases a significant transition to remain competitive in the market (Facebook, 2026). Thus, the company encountered a significant shift in its cash investment and ability to manage volatility of stock to remain competitive in the market.

3.3 Restructuring impact

Increase in Operational Flexibility

Tesla has focused upon improving its product quality for strengthening its brand popularity. For example, the organisation has collaborated with Tata Group to enhance the sales value of its e-vehicles to \$2bn in India (Times of India, 2025). In addition, the partnership has also helped Tesla in acquiring competitive advantage over other organisations. Tesla has also acquired contracts to provide electricity to the UK consumers through the use of 250000 e-vehicles and powerwalls in 2025 (Landes, 2026). The expansion of the product line has also helped the automobile company in improving its product popularity. Tesla has increased its consumer loyalty score to around 79% in 2025 (Tesla, 2025a). The adoption of product diversification and collaboration strategy has helped Tesla in enhancing its operational efficiency.

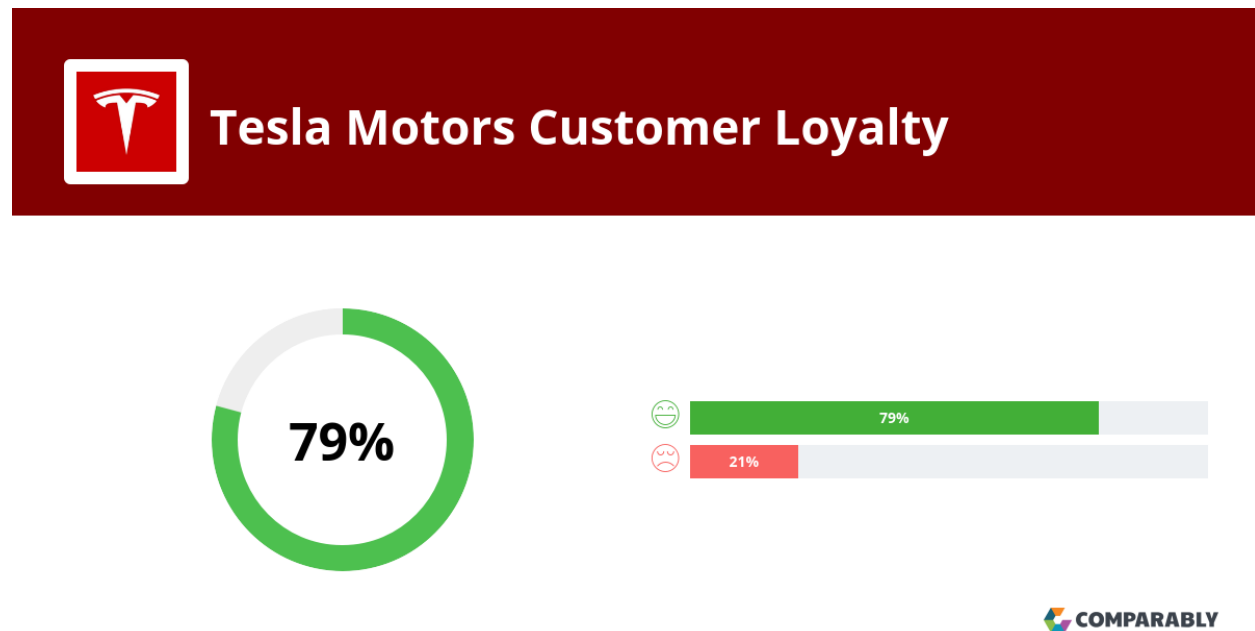


Figure 15: Consumer Loyalty Score of Tesla

(Source: Tesla, 2025a)

Shareholder value

Tesla has emphasised upon strengthening its investor relationships with an intent to reduce market competition. For example, the organisation has provided bonus £2.9 shares worth \$1tn to its

shareholders in 2025 (Jamali, 2025). The initiative has helped the e-vehicle company in enhancing the engagement level of its shareholders. Tesla has also executed a share buyback plan of around \$878bn in 2025 (Jazeera, 2025). The improvement in the market income has also increased the brand image of Tesla among the investors. In 2025, Tesla invested \$1 billion for buyback of shares by showcasing significant decline in order to manage overall cash of business.

Debt structure

The debt structure of Tesla is about \$13.79 billion in 2025 due to high rises of competition and historical peaks in struggling of product maintenance (Trading Economics, 2026). The debt structure at Tesla is significantly shifted due to restructuring which is more reliable for expansion of business. The company reduced its long term debt through efficient cash equivalence and signaling shift in managing the debt-equity ratio through massive investment. The operating profit of Tesla is about \$1.57B in 2025 by directly lowering the overall credit revenue that potentially aligns with company performance (Trading Economics, 2026b). Thus, the adoption of the "Capital light approach" is more reliable for high stock maintenance, which showcases overall funding growth.

3.4 International and Ethical Considerations

- **Inflation**

The enhancement in the product cost has been a critical issue for Tesla that has hampered its financial stability. For example, the US consumer price index has increased from 1% in 2021 to around 2.8% in 2025 (Iacurci, 2025). The enhancement in the commodity expenses has reduced the e-vehicle demand of Tesla among the customers.

U.S. consumer price index

Year-over-year percent change | Jan. 2021–May 2025

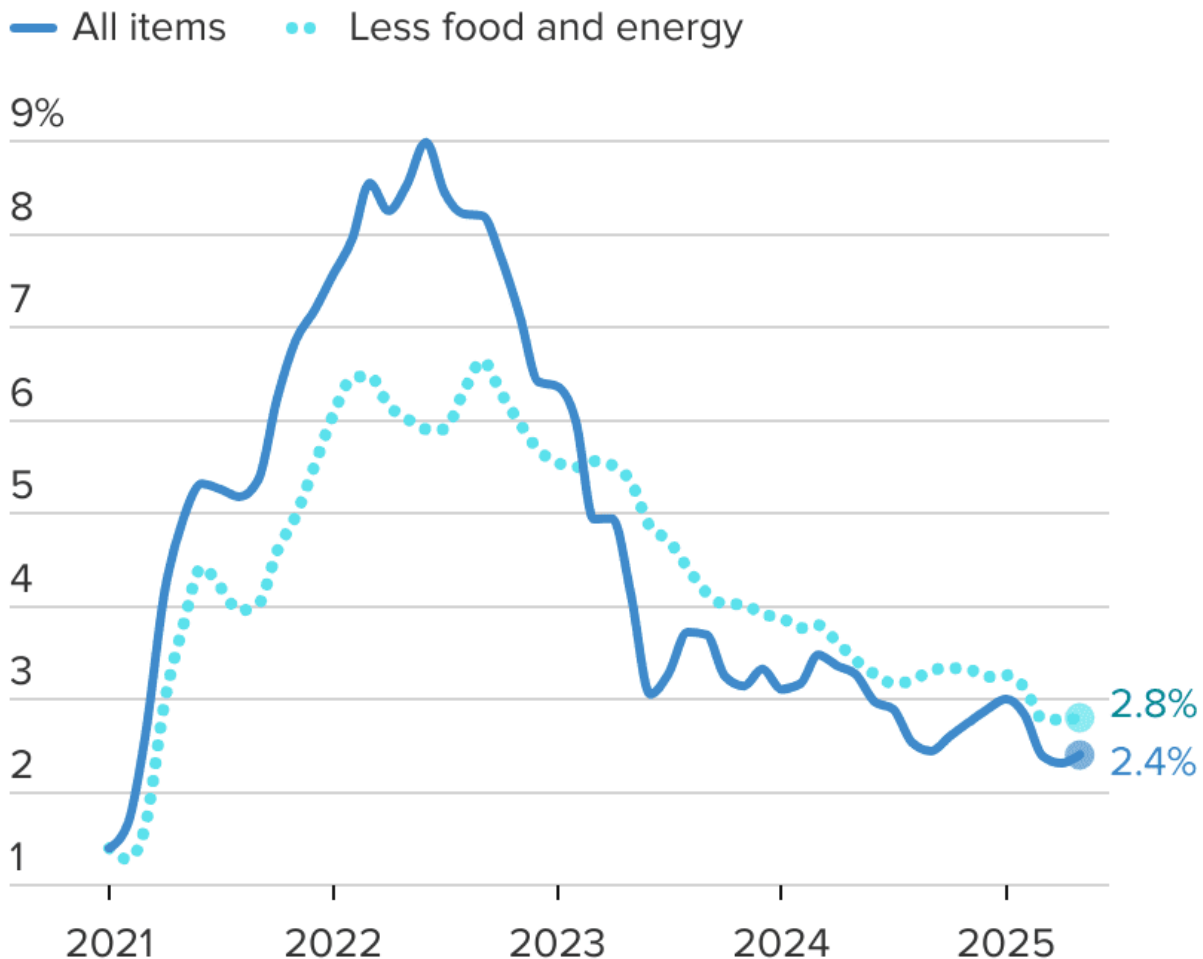


Figure 16: Consumer Price Index in the USA

(Source: Iacurci, 2025)

- **CSR**

Tesla showcases its advancement in the supply chain by following proper business ethics in managing battery materials, which enhances transparency in business. Tesla showcases its global transition by relying on sustainable energy in reduction of carbon which streamline improvement in business operations. The company invested in autonomous driving by the ability to invest in solar energy that has a positive impact on the production process (Tesla, 2024). Tesla addresses

the complexity related to human abuses in its supply chain, which affect a significant portion of its value chain.

- **Currency risk**

The currency risk is a major challenge affecting businesses by reducing profitability due to unexpected fluctuations. This negatively affects overall profit by ability to deal with uncertain obligations which affect the future cash flow of business. Tesla addresses significant currency risk due to the weakening of the dollar and tariff uncertainty which in term leads to slowing down international sales of business (Levy, 2025). In 2025, the tariff rate of the US is about to increase 125% which in terms affects overall import and export of products. This in term leads to lowering down net income trade volatility and stiff competition with intense brands in the market.

- **Taxation**

Taxation provides significant benefit by addressing linkage with managing tax assets and managing overall credit lines which leads to significant operational loss. \$7500 “federal tax credit” has been boosted by adoption of new legislation, which in term affects the overall profit of Tesla (Reuters, 2025). The growth of deferred tax reflects its shift through R&D and ability to manage tax credit which is due to low revenue of the business.

4. Investment Appraisal and Capital Budgeting

4.1 Three proposed investment projects

The purpose of the business plan is to assist Tesla in acquiring accurate knowledge regarding the income associated with its organisational operations. For example, the investment involved in the completion of project A and B has been around £50m. On the other hand, the completion cost of plan C is also valued at £50m. The investment value involved in the completion of the projects has helped Tesla in its income from the business operations.

4.2 Critical Evaluation about efficiency of Projects

4.2.1 Project A

The investment appraisal analysis of project A for Tesla also indicated weak financial stability for measuring capital position in acquired positive return. Hence, in this case minimal capital adjournment is also required as an initial investment of about £50 million and it is also generated a positive cash flow of £10 million, £12 million, £14 million, £10 million, and £8 million over a total of 5 years time period [**Refer to appendix 2**]. Hence, the cumulative cash flow pattern also recognises that initial investment of –£50 million in year 0 also be consolidated towards £4 million by year 5. This analysis of consolidated cash flow parameters for receiving initial capital required a total payback period of approximately 4.33 years [**Refer to appendix 2**]. Hence, this payback period is also higher towards mitigating potential cashflow position towards generating a positive return from the investment position of Tesla.

In addition, selection of 10% discount rate also generated a present value of £41.32 million that also be lesser than actual investment position. However, a negative NPV value of –£8.68 million at the end of 5 years time period with PI index below 1.0 is higher riskier for Tesla. Overall, ARR value of 1.60% and IRR value of 2.72% indicated lack of potentiality towards meeting the requirement threshold of firms for long-term growth.

4.2.2 Project B

As per the above evaluation, Project A has provided a positive return on the investments executed by the organisations. For example, the cash flow value involved in the business plan has increased from –£50m in year 1 to £11m in year 5. In addition, the cumulative investment of the project has also been enhanced to £5m [**Refer to appendix 2**]. The improvement in the fund value has also increased the acceptance level of the business plan for the automobile company. On the other hand, the initial investment involved in the completion of the project is around £5m. In addition, the

payback period associated with the business plan has increased to 4 years. The occurrence of delay in recovering initial investments has reduced the goodwill of the business plan for Tesla. IRR value of the project has also been lowered as compared to the international standard of 15% adopted by organisations. The reduction in the investment income has hampered the acceptance level of project B among the investors of Tesla.

4.2.3 Project C

The investment appraisal analysis of project C also indicates strong financial recognition towards benefiting initial investment in generating positive return. The project has a value of initial investment of about £50 million and generates uneven cash inflows of £5 million, £10 million, £20 million, £25 million, and £5 million over 5 years. On another hand, cumulative cashflow presentations also indicate the gradual recovery of investment value through £10 million by year 4 and £15 million by year 5 [Refer to appendix 2]. This successive stronger recovery period also indicated a lesser payback period for recovering initial value. This payback period approximately 3.6 years also indicated the most suitable investment proposition criteria with less risk provision in investment.

The selection of 10% discounting rate will also generate an NPV value at the end of 5 years of time period of –£1.98 million associated with cash flow of £48.02 million [Refer to appendix 2]. Hence, this slide negative NPV also illustrates that investment is most suitable with PI value of 0.96. Overall, ARR 6% and IRR 8.6% also indicate strong profitability potential through investment.

4.3 Combination of project best through Capital Rationing

Project Combination	Investment per Project (£m)	Total Investment (£m)	NPV Project A (£m)	NPV Project B (£m)	NPV Project C (£m)	Total NPV (£m)
A + B	50 + 50	100	-8.69	-8.31		-17
A + C	50 + 50	100	-8.69		-2.05	-10.74
B + C	50 + 50	100		-8.31	-2.05	-10.36

Figure 17: Capital Rationing

(Source: Self-Developed)

The capital rationing analysing table also is most effective to acquire suitable project combinations with an initial investment scenario of £100 million. This combination analysis is solely based on acquired NPV value recognition associated with the project. Hence, a poor financial combination

identified with project A+B combination with negative NPV of -£17.00 million. Further, key outcomes of NPV are also effectively restrained by total NPV of -£10.74 million with combination of A+C. Hence, higher NPV value also be recognised with a combination of project B+C that indicated lesser risk categorisation associated with investment of 5 years time period. Overall, the B + C combination provides the highest total NPV of –£10.36 million ensuring the most suitable project for Tesla.

Rank	Project Combination	Total NPV (£m)
1	B + C	-10.36
2	A + C	-10.74
3	A + B	-17

Figure 18: Best project combination

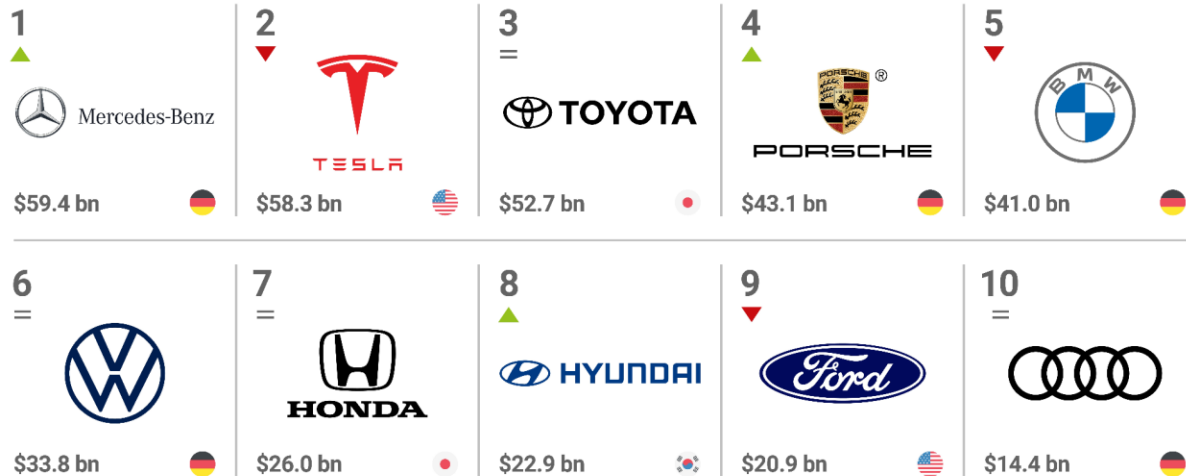
(Source: Self-Developed)

4.4 Recommendation for managing companies performance

As per the above evaluation, Tesla needs to execute investments in project C due to its enhanced returns. In addition, the organisation has also reduced its income growth by 61.29% from 2021 to 2025. The lowering of the income has also lowered the competitive advantage of the automobile company over other organisations. For example, the brand value of Tesla has reduced to \$58.5bn in 2024 (Brand Finance, 2024). The enhancement in investments within project C will help the automobile company in acquiring higher income due to its low payback period. In addition, the enhancement in the operational revenue will also improve the brand loyalty of the organisation among the consumers. The adoption of Project C will help Tesla in reducing market competition and achieving financial stability.

Depending on the capital rationing, the business goal is to maximize NPV by positioning on the overall profitability of the business. The significant investment on Project C is about £50 million with its NPV about –£1.98m by showcasing its cash inflow in enhancing short-term liquidity. The project can have a strong cash reserve by ability to maximize the capital rationing which has its potential impact through reinvestment. Project C showcases its significant investment by its ability to manage high cash flow with stable liquidity which in term upholds stable financial position by dealing with uncertainty in the market. Project C reduces its firm value by ability to manage cash flow through significant product development by showcasing overall loyalty of the brand based on initial launches of the product.

Top 10 Most Valuable Automobiles Brands 2024



Brand Finance

Source: Brand Finance Automotive Industry 2024

brandirectory.com/auto

Figure 19: Brand Value of Tesla

(Source: Brand Finance, 2024)

4.5 Non-financial risk associated with the project

Risk	Description
Consumer Loyalty	Project C has illustrated a negative NPV score of -£1.98 that has reduced the income of the business plan. The adoption of the scheme will enhance the operational expenses of Tesla that also reduce the popularity of the commodities. For example, Tesla has increased the cost of E-vehicles such as “Model S” and “Model X” by \$5000 in 2025 (Roy, 2025). The enhancement in the prices has also reduced the utility of the automobiles among the customers. On the other hand, Tesla has also increased its tariff cost by \$70000 in 2025 (Shah and Monnappa, 2025). The increase in developmental cost of the products has reduced the consumer trust level of Tesla.

Political risk	The project C, due to its high NPV addresses issues in the business due to high inflation and the ability to respond to market changes by expanding its flexibility in the market. The inflation affects Project C, leading to high rises of the labor cost by preventing underestimation. As inflation increases, the cash flow of the project leads to higher-conditioning, better investment to deal with unexpected volatility in the market (Esen, Yıldırım and Akyurt, 2025). The impact of inflation affects initial investment of the business which in term, leads to low down overall purchasing power of the customers by improving the capital allocation of the business (Mahmoud, 2025). The political instability affects Project C by its ability to raise initial investment of the project and its ability to deal with the strategic choices, which in turn enhance the overall profit margin.
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Table 1: Non-Financial Risk

Conclusion

Tesla has observed a reduction in its profitability and liquidity ratios that has reduced the financial stability of the organisation. In addition, project C has been the suitable mode of investment for the company that has improved its business growth. The occurrence of risks such as lowering of consumer loyalty has also hampered the brand image of the company.

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Appendices

Appendix 1: Ratio analysis

Profitability Ratios:-						
Particulars	Details	2021	2022	2023	2024	2025
Revenue (£m)	A	53,823.0 0	81,462.0 0	96,773.0 0	97,690.0 0	94,847.0 0
Operating Profit/(Loss) (£m)	B	6,523.00	13,656.0 0	8,891.00	7,076.00	4,355.00
Net Profit/(Loss) (£m)	C	5,644.00	12,587.0 0	14,974.0 0	7,153.00	3,855.00
Total Assets (£m)	D	62,131.0 0	82,338.0 0	106,618. 00	122,070. 00	137,806. 00
Current Liabilities (£m)	E	19,705.0 0	26,709.0 0	28,748.0 0	28,821.0 0	31,714.0 0
Equity (£m)	F	30,189.0 0	44,704.0 0	62,634.0 0	72,913.0 0	82,137.0 0
Net Margin	C/A	10.49%	15.45%	15.47%	7.32%	4.06%
Return on Capital Employed (ROCE)	B/(D- E)	15.38%	24.55%	11.42%	7.59%	4.10%
Return on Equity (ROE)	C/F	18.70%	28.16%	23.91%	9.81%	4.69%
Liquidity Ratios:-						
Particulars	Details	2021	2022	2023	2024	2025
Current Assets (£m)	A	27,100.0 0	40,917.0 0	49,616.0 0	58,360.0 0	68,642.0 0
Inventories (£m)	B	5,757.00	12,839.0 0	13,626.0 0	12,017.0 0	12,392.0 0
Current Liabilities (£m)	C	19,705.0 0	26,709.0 0	28,748.0 0	28,821.0 0	31,714.0 0

Cash (£m)	D	17,576.0 0	16,253.0 0	16,398.0 0	16,139.0 0	16,513.0 0
Current Ratio	A/C	1.38	1.53	1.73	2.02	2.16
Quick Ratio	(A-B)/C	1.08	1.05	1.25	1.61	1.77
Cash Ratio	D/C	0.89	0.61	0.57	0.56	0.52

Gearing Ratios:-

Particulars	Details	2021	2022	2023	2024	2025
Total Liabilities (£m)	A	30,548.0 0	36,440.0 0	43,009.0 0	48,390.0 0	54,941.0 0
Total Equity (£m)	B	30,189.0 0	44,704.0 0	62,634.0 0	72,913.0 0	82,137.0 0
Operating Profit/(Loss) (£m)	C	6,523.00	13,656.0 0	8,891.00	7,076.00	4,355.00
Interest Expense (£m)	D	371.00	191.00	156.00	350.00	338.00
Shareholders capital (£m)	E	30,189.0 0	44,704.0 0	62,634.0 0	72,913.0 0	82,137.0 0
Total Debt (£m)	F	5,245.00	1,597.00	2,857.00	5,757.00	6,736.00
Debt/Equity Ratio	A/B	1.01	0.82	0.69	0.66	0.67
Interest Coverage Ratio	C/D	17.58	71.50	56.99	20.22	12.88
Debt/Capital Ratio	F/(F+E)	0.15	0.03	0.04	0.07	0.08

Efficiency Ratios:-

Particulars	Details	2021	2022	2023	2024	2025
Revenue (£m)	A	53,823.0 0	81,462.0 0	96,773.0 0	97,690.0 0	94,847.0 0
Cost of Sales (£m)	B	40,217.0 0	60,609.0 0	79,113.0 0	80,240.0 0	77,733.0 0

Opening Inventories (£m)	C	4,101.00	5,757.00	12,839.0 0	13,626.0 0	12,017.0 0
Closing Inventories (£m)	D	5,757.00	12,839.0 0	13,626.0 0	12,017.0 0	12,392.0 0
Average Inventories (£m)	$E=(C+D)/2$	4,929.00	9,298.00	13,232.5 0	12,821.5 0	12,204.5 0
Opening Receivables (£m)	F	1,886.00	1,913.00	2,952.00	3,508.00	4,418.00
Closing Receivables (£m)	G	1,913.00	2,952.00	3,508.00	4,418.00	4,576.00
Average Receivables (£m)	$H=(F+G)/2$	1,899.50	2,432.50	3,230.00	3,963.00	4,497.00
Opening Payables (£m)	I	6,051.00	10,025.0 0	15,255.0 0	14,431.0 0	12,474.0 0
Closing Payables (£m)	J	10,025.0 0	15,255.0 0	14,431.0 0	12,474.0 0	13,371.0 0
Average Payables (£m)	$K=(I+J)/2$	8,038.00	12,640.0 0	14,843.0 0	13,452.5 0	12,922.5 0
Inventory Turnover Days	$365/(B/E)$	45	56	61	58	57
Receivables Turnover Days	$365/(A/H)$	13	11	12	15	17
Payables Turnover Days	$365/(B/K)$	73	76	68	61	61

Investment Ratios:-

Particulars	Details	2021	2022	2023	2024	2025
No Of Share (m)	A	3,386.00	3,164.00	3,184.00	3,220.00	3,750.00
Net Income	B	5,644.00	12,587.0 0	14,974.0 0	7,153.00	3,855.00
Earning Per Share	B/A	1.67	3.98	4.70	2.22	1.03

Cash Flow Ratios:-						
Particulars	Details	2021	2022	2023	2024	2025
Cash Flow From Operation	A	(1,757.00)	(1,220.00)	18,144.0 0	16,924.0 0	17,189.0 0
Current Liabilities	B	19,705.0 0	26,709.0 0	28,748.0 0	28,821.0 0	31,714.0 0
Total Assets	C	62,131.0 0	82,338.0 0	106,618. 00	122,070. 00	137,806. 00
Operating Cash Flow Ratio	A/B	(0.09)	(0.05)	0.63	0.59	0.54
Cash Return On Assets	A/C	(0.03)	(0.01)	0.17	0.14	0.12

Appendix 2: Investment appraisal calculation

PROJECT A				
YEAR	CASH FLOW (£m)	CUMMULATIVE CASH FLOW (£m)	DISCOUNTING RATE (10%)	PRESENT VALUE (£m)
0	-£50.00	-£50.00	1.00	-£50.00
1	£10.00	-£40.00	0.91	£9.09
2	£12.00	-£28.00	0.83	£9.92
3	£14.00	-£14.00	0.75	£10.52
4	£10.00	-£4.00	0.68	£6.83
5	£8.00	£4.00	0.62	£4.97
NPV				-£8.68
Total PV Inflow				£41.32
Payback Period	4.333333333	4 Year	4 Months	
Average annual profit	£0.80			
Initial Investment	£50.00			
ARR	1.60%			
IRR	2.72%			
PI	0.83			

Figure 20: Project A
(Source: Self-Developed)

PROJECT B				
YEAR	CASH FLOW (£m)	CUMMULATIVE CASH FLOW (£m)	DISCOUNTING RATE (10%)	PRESENT VALUE (£m)
0	-£50.00	-£50.00	1.00	-£50.00
1	£11.00	-£39.00	0.91	£10.00
2	£11.00	-£28.00	0.83	£9.09
3	£11.00	-£17.00	0.75	£8.26
4	£11.00	-£6.00	0.68	£7.51
5	£11.00	£5.00	0.62	£6.83
NPV				-£8.30
Total PV Inflow				£41.70
Payback Period	4.545454545	4 years	6 Months	
Average annual profit	£1.00			
Initial Investment	£50.00			
ARR	2%			
IRR	3.3%			
PI	0.83			

Figure 21: Project B

(Source: Self-Developed)

PROJECT C				
YEAR	CASH FLOW (£m)	CUMMULATIVE CASH FLOW (£m)	DISCOUNTING RATE (10%)	PRESENT VALUE (£m)
0	-£50.00	-£50.00	1.00	-£50.00
1	£5.00	-£45.00	0.91	£4.55
2	£10.00	-£35.00	0.83	£8.26
3	£20.00	-£15.00	0.75	£15.03
4	£25.00	£10.00	0.68	£17.08
5	£5.00	£15.00	0.62	£3.10
NPV				-£1.98
Total PV Inflow				£48.02
Payback Period	3.6	3 years	7 Months	
Average annual profit	£3.00			
Initial Investment	£50.00			
ARR	6%			
IRR	8.6%			
PI	0.96			

Figure 22: Project C
(Source: Self-Developed)