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Introduction

This report states that the impact of financial condition plays a vital role for a company, where, in this report, all the necessary financial analyses are provided with the performance analysis and appraisals. Moreover, this report states ratio analysis and the financial decision-making process, based on which the investors can make a proper decision about the future outcomes. This report also provides a ratio analysis of the company for the last 5 years and the impact on the overall financial condition. On the other hand, the impact of cash management and the relationship between some strategies regarding cash operations are highly connected. The financing strategies are also evaluated here on the basis of stakeholders like shareholders and bondholders. Finally, this report helps the company to evaluate the investment decision criteria like capital rationing, capital budgeting and their relationship with the financial statement.

1. Financial Health Check

Financial statement states a company's actual financial condition for a year, where the performance of the company is evaluated and developed through analysis, like ratio analysis and which can help the management and other stakeholders to make proper decisions regarding the economic factors and other business strategies. So financial health check considers how the company runs and performs in the year and increases the returns based on the sales and services. The financial condition of the company can be evaluated through some performance-based activities which are directly related to the financial health, and the check helps to overcome the problems of the company regarding the financial development procedure (Siziba and Hall 2021).

In a company, the financial performance is highly related to the number of sales and assets of the company that are reflected in the income statement and financial condition statement, respectively. The performance of the items is highly related to the actual outcome of the financial performance, as these items can be related directly to the net income as well as the relation to the ownership of the company and the total amount of liability (Sergi et al.2021).

1.1 Analysing financial statements

Here, in the given scenario of the company called General Electronics, the financial statement is the way to develop the entire scenario regarding the financial technologies and techniques. For the analysis, some methods can be followed regarding some ratio analysis, which are very much related to the items of financial statements, especially the number of sales and assets of the company for a certain period of one year (Sureka et al.2022).

From the financial statement provided in the case, it can be observed that the performance of the company called General Electronics, the amount of sales in the year 2020 was 614680 pounds, and it started to gradually fall to the year 2025, where the amount of sales was 394874 pounds. That states a dangerous situation for the company, as the company feels a lot of pressure regarding sales issues. As the amount of sales is not satisfactory, the impact was directly imposed on the amount of net profit, and according to the performance based on the sales, the amount of net profit declines like if the changes are converted in to the percentage form, the net profit declining rate in the year of 2021 was $(5301 - 38572) / 38572 = -86.27\%$ and the results of the following years are given here: In the next year, the negative rate was $(407-5301) / 5301 = -92.22\%$. In the year 2023, the rate was $(-98238 - 407) / 407 = -242.37\%$ and in the latest year, the changes of net profit are (-

$24029 - (-98238) / -98238 = 1.24\%$ which is positive but not satisfactory as the actual outcome is negative in this year.

1.2 Ratio Analysis

Ratio analysis is one of the major techniques in financial accounting where all the financial items are analysed based on the performance of the company in a certain year, and the performance can be evaluated based on some criteria like sales, assets, net profit and net income. The relationships of income and expenses, assets and liabilities are highly related here. In this ratio analysis, the improvement segment in the future can be evaluated. Moreover, the company can take some important decisions based on the performance analysis (Surekaet *al.*2022).

The overall ratio analysis based on some types of the year 2024 is provided here by using the data from the given chart of the question.

1. Profitability Ratio

Ratio	Formula	Result
Gross Margin Ratio	Gross Profit / Sales	$113994/394879 = 28.87\%$
Net Profit Ratio	Net profit/ Sales	$(24,029)/ 394879 = -6.09\%$
Operating Profit Ratio	Operating Profit / Sales	$60 / 394879 = .015\%$

2. Liquidity Ratio

Current Ratio	Current Assets / Current Liabilities	$242,494 / 158,291 = 1.53$
Quick Ratio	$(\text{Current Ratio} - \text{Inventories}) / \text{Current liabilities}$	$(242,494 - 79,355) / 158,291 = 1.03$
Cash Ratio	Amount of cash / Current Liabilities	$26,783/ 158,291 = .17$

3. Efficiency Ratio

Asset Turnover Ratio	Sales / Average Total Asset	$394,879 / (323,354 / 2) = 2.44$
Inventory Turnover Ratio	Cost of Goods Sold / Average Inventories	$280,885 / (79,355 / 2) = 7.07$ times
Sales Turnover Ratio	Net sales on credit / Average accounts Receivables	$394,879 / (114,182 / 2) = 6.91$ times
Purchase Turnover Ratio	Net purchase on credit / Average Accounts payables	$280,885 / (72,031 / 2) = 1.94$ times

4. Gearing Ratio

Debt to Equity Ratio	Debt / Equity	$170,249 / 153,105 = 1.11$
Equity Ratio	Equity / Assets	$153,105 / 323,354 = .47$
Debt Ratio	Debt / Assets	$170,249 / 323,354 = .52$

5. Investment Ratio

EPS		-1.89
Return On Earnings	Net profit / Equity	$(24,029) / 153,105 = -15.69\%$
Return on Asset	Net Profit / Total assets	$(24,029) / 323,354 = - 7.43\%$

6. Cash Flow Ratio

Operating Cash Flow Ratio	Profit from operating activities/sales	$14,822 / 394,879 = .0375$
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Chart: Ratio analysis of the last 4 years

Explanation of Ratio Analysis

The financial condition of General Electronics is not satisfactory at all, and the consequences can be dangerous as the gross margin of the company falls at a high rate. Though the gross margin of

28.87% is not that bad but the previous year's performance is a matter of concern. The net profit ratio is negative, which is a huge concern for the company as it shows a negative value in the net profit. The company may suffer in the long run as the sales management report is very bad, and the amount of other expenses is increasing gradually. So, the management should be careful about the cost-cutting activities. The firm is operationally inefficient in managing the asset management, as well as the current ratio shows a lower value than the benchmark, although the acid test ratio does not support as the result shows an ideal situation for the company. But still, the company has much to do in the current asset management procedure. And there is a negative sign in the case of efficiency in inventory management, as well as in the efficiency ratio. The company cannot develop their efficiency in managing debtors and creditors as well because the company pays the creditors quickly than it receives payments from the debtors. This is a matter of concern as the inventory days are wasted because of production delay. The amount of debt is higher than the amount of assets, which can be a great problem and may create a negative impact on the investors.

1.3 Analysing Trends, Strengths and Threats

There is a huge collapse in the revenue and profitability activity of the company, and the most alarming trend identified in the income statement is the consistent and accelerating contraction of top-line revenue items. This is not a cyclical drop; rather, it shows the company as greatly declining in structural and managerial procedures in the performance of inventory management. While sales dropped, the cost remained unyielding. This negative impact on 2024 has been shown through A vertical analysis. The performance of operating activities may prove an unstable overhead structure that transfers a smaller production practice. A little positive thing is that the company did better in 2024, which is largely due to aggressive cost-cutting rather than the business recovery process.

1.4 Corporate Failure Prediction: Altman Z-score Analysis

To quantify the risk of bankruptcy, here the application of Altman z score is provided with the formula: $Z = 1.2 * X1 + 1.4 * X2 + 3.3 * X3 + .6 * X4 + 1 * X5$

Where,

$$X1 = \text{Working capital} / \text{total asset} = (242494 - 158291) / 323354 = .26$$

$$X2 = \text{Retained Earnings} / \text{Total Assets} = 0.645$$

$$X3 = \text{EBIT} / \text{Total Assets} = -15297 / 323,354 = -.047$$

$$X4 = \text{Market value of equity} / \text{Total liabilities} = .899$$

$$X5 = \text{Sales} / \text{Total Assets} = 394879 / 323,354 = 1.22$$

So, the result of the Altman Z score will be obtained by placing the results.

$$= 1.2 * .26 + 1.4 * .645 + 3.3 * (-.047) + .155 * .899 + 1 * 1.22$$

$$= 2.82$$

As the company stays between 1.81 and 2.99, according to Altman Z score, General Electric is a company of GREY AREA, which indicates the company is not performing well. If loss continues in the upcoming years, it will be the steps of bankruptcy.

Strengths and Weaknesses

Strengths	Weakness
Gross Margin Stability	Negative Gearing
Historical Profits	Unstable Revenue
Retained Earnings Base	High Cost
Cash Collection	Low working capital margin

2. Working Capital Management

Working capital management is the process of managing the current assets and current liabilities, where the ratio states how much current assets are in a company to pay the current liabilities. The formula for working capital management is current assets minus current liabilities. The importance of managing the working capital of a company is very important, as the core managerial activities are directly related to this, like how much short-term assets can be used to pay the short-term debts of the company, which indicates the capacity of the company to measure the financial condition, which attracts investors to invest in the company. Working capital ensures the liquidity of the company, as liquidity plays a vital role in providing for all the daily expenses. Without proper liquidity, a company cannot survive in the long run, as the company fails to pay the daily expenses, which causes great havoc in capital management also. A proper management of capital ensures the smooth business operation, maintains creditworthiness to the creditors, improves receivables and inventories, which can support business growth (Cao and Zhai, 2023).

2.1 Cash Operating Cycle Analysis

In analysing the cash operating cycle of the company, some methods should be applied which are directly related to the financial statements of the company. For example, in the method, we need to calculate the days of sales outstanding, days of purchase outstanding and inventory operating cycle (Goodel et al., 2023).

To calculate the Days' inventory outstanding, the formula is given:

$$(\text{Inventory}/\text{cost of sales}) * 365$$

$$= (79355/ 280885) * 365$$

$$= 103.1 \text{ Days}$$

To calculate receivables collection period, formula is given: $(\text{Accounts Receivable} / \text{Net Sales}) * 365$

$$= (114182/ 394879) * 365$$

$$= 105.5 \text{ Days}$$

To calculate payables collection period, formula is given: $(\text{Accounts Payables} / \text{Net Purchase}) * 365$

$$= (72031 / 280885) * 365$$

$$= 93.6 \text{ days}$$

Now the total cash operating cycle = the Days inventory outstanding + receivables collection period - payables collection period = 103.1 Days + 105.5 Days - 93.6 days = 115 days

2.2 Recommendation for Cash Operating Cycle

The result of the cash operating cycle is 115 days, which indicates an alarming situation for the company as the product life time is much shorter than expected. When the inventory takes to be ready in 103 days that indicates the company holds the inventory for a long period, which increases the cost of storage and other related expenses. An industry driven by innovation can create some problems by creating a huge risk of obsolescence. It indicates that the amount of inventory might be overvalued in terms of the result. In terms of receivables, it is just a disaster, a critical failure because the company has to take more than 3 months to make a monthly payment for the products, and that creates a huge impact on the cash item because the shortage of cash can be evaluated very badly. In that case, the cash shortage is due to a lack of accounts receivable. For the suppliers to be paid, the company cannot be too prudent to make more time to pay, as the payment from debtors may not arrive. As the time is shorter than the accounts payable, it means the company has to pay earlier, which may increase a cash shortage in the financial position.

Strategies to improve liquidity contention

To develop the strategies based on the financial statement analysis of the company, the company should apply an aggressive working capital strategy. An aggressive working capital strategy is a financial approach to the cash operating cycle where long-term assets are used to pay the expenses as well as short-term liabilities. Besides, the company should invest low in current assets, use high investment in short-term financing where risk is high and return is high (Bello, 2023).

2.3 Comparing Short-term and Long-term Financing Options

If the company targets to get back the payment in 60 days, the company should go for invoice discounting or factoring. Moreover, an early settlement discount can be applied where the terms and conditions of the business credit can be eased for the debtors, so that they are willing to provide the payment so quickly. The company should stop shipping to customers who have overdue payments, and the company should control its credit. The customers who delay the payments

should be avoided, and the relevant suppliers need to be found from whom the company can get a much time to pay later. To optimise the inventory management to 70 days, the company should clear the slow-moving stock very quickly, as the time of production and storing is very high in the company, and the company should release the outdated product and increase the inventory cycling method. The company should be careful about the sustainable payable strategy, where the suppliers should be paid longer than before. The company should develop their financial strategy, which starts with the financing technique, because from which the funds should be collected needs to be ensured. As the company is suffering from a maturity mismatch, the company should use the short-term assets for long-term financing in the company. The risk of the company is short-termism in the balance sheet, and the credit usage is 36.9 million pounds. This can be a flexible way to overcome the short-term overdraft facilities. The recommendation is that the company should initiate an aggressive receivables collection and review the inventory obsolescence. Moreover, it is suggested that the lenders discussed restructuring the short-term overdraft into long-term debt to secure the vacuum space in the financial statement position (Wahyuni et al.,2023).

3. Structural Financial Restructuring

3.1 Recommending financial restructuring options

While the operational improvements outlined in the working capital sections are needed to stop the cash section, as the cash section is one of the most volatile items in the financial statement, the company is facing insufficient cash management for long-term survival items. The financial health check provides the imbalance in the capital structure where the debt equity ratio has been 1.11 which shows a dangerous condition in the financial condition. To improve the financial restructuring plan, the company should follow the strategic financial restructuring plan by cost-cutting and reshaping its financial condition. The objective is to restore shareholders' confidence to invest in the company, decrease the solvency risk. Moreover, the company should create a lean, agile capability of the organisation to compete in the volatile global electronic market (Caldecott et al., 2022).

If the company follows option 1, where equity injection through Re issuance of Treasury Stock where the company should develop the financial condition by collecting money from outside. To improve the balance sheet of the company, the company should buy back all their shares, which may increase the Earnings Price Share, and it may spend a huge amount of cash.

Private placement is a process of share issuance where the individual investors are approached to buy shares of the company, and the company tries its best to get the investment from the person (Friedlob and Schleifer, 2003). It can decrease the amount of cost when the company issues shares and the company gets the chance to increase its share amount, which can improve the cash condition, and the company can make an investment and develop from the cash shortage situation. To implement the strategy, the company should find some individual investors and a sovereign wealth fund looking for problematic assets with a turnover potential. If the company increase the number of sales by up to 20%, the net treasury stock can be raised approximately 70 to 80 million pounds, although the situation depends highly on the market condition. Another positive sign for the strategy is that the amount of interest is not to be paid like the bondholders (García & Herrero, 2021).

3.2 Emphasising The Impact of Shareholders' Value with Debt Structure

To consider the shareholder value effect the company should dilute the ownership of the current shareholders' partnership, which can alternatively reduce the bankruptcy problem of the company, and this might remove the shareholders' value fully. Dilution is the lesser of two evils in this case. For this strategy, the company will benefit by bringing in a strategic planning often that can restore confidence in the market scenario and the company can signal the overall belief for sophisticated investors (Lee et al., 2009).

Another way to develop the internal financing activities the company should improve the operational flexibility at a low rate, where high cash released from divestitures allows investment in high-yield projects (Bacharudin et al., 2023).

Asset divestiture and shrink to grow can be another option, which can be considered to develop from the hazardous situation from now, and that is why General Electronics is currently working on its customer-based activities. The company should maintain an infrastructure which is built for companies experiencing growth of over 50 per cent. So, the target should focus on the underperforming non-core assets (Brealey, Myers and Allen, 2023).

Sale and leaseback of Property, Plant and Equipment can be another solution for the problem-solving situation and as the total value of property, plant and equipment of the companies is currently 34.2 million pounds the company should sell the freehold manufacturing sites which can make cash of a huge amount and the focus on the operational activities can be limited which can decrease the amount of cost. In this case, the company can increase the amount of cash in the approximate range of 20 to 30 million pounds, but this may increase the operating expenses in the future, and the overall cost may be increased as well. This strategy also supports a light asset model, and this implies physical assets that can be more agile and volatile in the technology market, which can have a positive impact on the ownership. It also allows the company to improve faster depreciation and maintenance costs (Atrill and McLaney, 2021).

As the line of credit is a serious concern for the company to improve the demand situation bank should look to develop the liquid assets and liquidity in the financial position. The companies should go for debt for quality or a term loan scheme, which can decrease the overall amount of cost as debt is highly related to tax advantage (Mehmood & De Luca, 2025).

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3.3 Ethical Consideration

The restructuring plan should be revised based on international considerations, where some ethical and legal challenges can be vital factors. One of them is currency risk management, and when the company deals with other countries, foreign investment and exchange rate have a strong influence in this case, and in this case, the amount of loss turns out to be almost 2.6 million pounds (Accoto et al., 2023). That enhances the critical condition. As the company shows revenue in one currency, the company should be careful about in debt and costs, but the hedging principle might be a good opportunity for the farm if the farm implements it in a decent way (Arnold, 2019).

International tax can be a vital factor for the company as the company is operating overseas; the company has to face some challenges regarding international taxation and laws. So the company should make profits in high tax jurisdictions while accumulating losses in other jurisdictions where the company cannot claim relief. So, the transfer pricing policy can be implemented the protect future tax and other expenses (Alsagr, 2023).

General Electronics should implement investment in some area of corporate social responsibility and stakeholder management, where the divestiture and shrink-to-grow strategy can improve the condition of employment. The company should of beyond the statutory minimum redundancy payment, and it should provide outplacement jobs, and this may develop the Employer Brand situation among the employees, which can play a vital role in motivation (Wahyuni et al.,2023).

4. Capital Budgeting and Investment Appraisal

4.1 Project Analysis

Capital budgeting is a technique in finance where the collected funds are invested in the most profitable project (Dabi et al., 2023). For this reason, companies do some project analysis and based on the analysis, the companies can make a proper decision about the investment strategy for where the funds to be invested (HOANG et al., 2025). To analyse a project, some investment criteria and analysis can be approved and analysed, based on which the company can obtain the necessary information. For example, Pay Back Period, Net present value, Profitability Index, Internal Rate of Return, and Annual Rate of return can be some good tools to analyse (Wahyuni et al., 2023).

In this report, three projects are given to analyse, and the tools should be applied.

Project A

Pay Back Period

Pay Back Period states how much time is needed to get the investment back, and for the criteria, it should be decided that the lesser the time, the more approved the project is.

Year	Cash Flow	Cumulative Cash Flow
1	10	10
2	12	22
3 (A)	14	36 (C)
4	10 (D)	46
5	8	54

Pay Back Period = A + (Investment – C) / D = 3+ (40 -36) / 10 = 3.4 Years

Annual Rate of Return

Annual Rate of Return is another way to measure the profitability based on an investment. Here the depreciation = 40 /5 = 8 Pounds

So, the average net income = $\{(10-8) + (12-8) + (14-8) + (10-8) + (8-8)\} / 5 = 2.8$

Average Investment = $40 / 2 = 20$

So, Annual Rate of Return = $2.8 / 20 = 14\%$.

Net Present Value

Net Present Value is the process and the most applicable and practised tool all over the world, where the net present values of future incomes are considered.

$NPV = (10/1.1) + (12 / 1.1^2) + (14/1.1^3) + (10 / 1.1^4) + (8 / 1.1^5) - 40 = 41.33 - 40 = 1.33$

Profitability Index

Profitability index shows the ratio of net present income and current investment, where a result that exceeds 1 will be considered for investment.

$PI = 41.33 / 40 = 1.03$

Internal Rate of Return

Internal Rate of Return is one of the most used techniques in cases where the minimum return rate is calculated, where NPV is 0.

NPV at 10% = 1.33

$NPV \text{ at } 13\% = (10/1.13) + (12 / 1.13^2) + (14/1.13^3) + (10 / 1.13^4) + (8 / 1.13^5) - 40 = - 1.57$

So, the IRR

$= \text{Lower rate} + (\text{NPV of Lower Rate} / (\text{NPV of Lower Rate} + \text{NPV of Higher Rate})) * (\text{Higher Rate} - \text{Lower Rate})$

$= .1 + (1.33 / (1.33+1.57)) * (.13-.1) = 11.38\%$

Project B

Pay Back Period

Year	Cash Flow	Cumulative Cash Flow
1	6	6

2	6	12
3	6	18
4	6	24
5	6	30

As the investment is 30 pounds and in the year of 5 years, the company will get the return of 30 pounds at the end, so the Pay Back Period will be 5 years.

Annual Rate of Return

Here the depreciation = $30 / 5 = 6$ Pounds

So, the average net income = $\{(6-8) + (6-8) + (6-8) + (6-8) + (6-8)\} / 5 = -2$

Average Investment = $30 / 2 = 15$

So, Annual Rate of Return = $-2 / 15 = -13.33\%$.

Net Present Value

$NPV = (6/1.1) + (6 / 1.1^2) + (6/1.1^3) + (6 / 1.1^4) + (6 / 1.1^5) - 30 = 22.74 - 30 = -7.26$ pounds

Profitability Index

$PI = 22.74 / 30 = .758$

Internal Rate of Return

$NPV \text{ at } 10\% = -7.26$

As the nominal outcome is exactly the same for the company in net cash flow, the proper Internal rate of return will be 0%.

Project C

Payback period

Year	Cash Flow	Cumulative Cash Flow
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1	5	5
2	10	15
3 (A)	20	35(C)
4	25 (D)	60
5	15	75

Pay Back Period = $A + (\text{Investment} - C) / D = 3 + (50 - 35) / 25 = 3.6 \text{ Years}$

Annual Rate of Return

Here the depreciation = $50 / 5 = 10 \text{ Pounds}$

So, the average net income = $\{(5-10) + (10-10) + (20-10) + (25-10) + (15-10)\} / 5 = 5$

Average Investment = $50 / 2 = 25$

So, Annual Rate of Return = $5 / 25 = 20\%$.

Net Present Value

$NPV = (5/1.1) + (10 / 1.1^2) + (20/1.1^3) + (25 / 1.1^4) + (15 / 1.1^5) - 50 = 54.23 - 50 = 4.23$
pounds

Profitability Index

$PI = 54.23 / 50 = 1.08$

Internal Rate of Return

NPV at 10% = 4.23

NPV at 16% = $(5/1.15) + (10 / 1.15^2) + (20/1.15^3) + (25 / 1.15^4) + (15 / 1.15^5) - 50 = 54.23 - 50 = -3.19$

So, the IRR

= Lower rate + $(NPV \text{ of Lower Rate} / (NPV \text{ of Lower Rate} + NPV \text{ of Higher Rate})) * (\text{Higher Rate} - \text{Lower Rate})$

= $.1 + (4.23 / (4.23 + 3.19)) * (.15 - .1) = 12.85\%$

Capital Budgeting Decision

Tools	Project A	Project B	Project C	Project Approval
Payback Period	3.4	0	3.6	Project A
Annual Rate of Return	14%	-2%	20%	Project C
Net present Value	1.33	-7.26	4.23	Project C
Profitability Index	1.03	.784	1.08	Project C
Internal Rate of Return	11.38%	0	12.85%	Project A

4.2 Capital Rationing Decision

Capital rationing states that when the amount of capital is fixed or low, more than one profitable project can be chosen for investment, and the projects are made serially based on the profitability ratio and for the suitable event most cases, the Net present value is chosen for making capital rationing decisions (Feyen et al., 2021).

As the budget cap is £60 million, it is chosen as the combination of projects that maximises shareholder wealth (Total NPV) without breaching the cap.

Possible Combinations:

1. **Project A Only (£40m):** NPV = £1.33m. (Leaving £20m unspent).
2. **Project B Only (£30m):** NPV = -£7.26m. (Rejected).
3. **Project C Only (£50m):** NPV = £4.22m. (Leaving £10m unspent).
4. **Project A + B (£70m):** Exceeds budget.
5. **Project A + C (£90m):** Exceeds budget.

According to the performances of the projects, it will be ideal for the company if the company invests in Project A and Project C, from where the company will get the maximum outcome based on Net Present Value. Besides, by analysing the other projects of capital budgeting, it will be a good move for the company if it chooses project C, and there it should invest most of the capital (Mazumdar & Rastogi, 2021).

4.3 Assessing Risk and The Justification

According to the performance analysis, the company will invest in project C, but some related risks should be assessed. The first thing is that the company should be aware of some related risks, and the company should implement some strategies to mitigate the level of risk. So, the relation and comparison of the related risks are analysed below:

Liquidity Risk

Liquidity risk is a type of risk which is directly related to the amount of cash, and cash shortage can be the main problem here. In an investment situation, if the company does not get enough amount of money or cash, it may create liquidity risk, and another dimension here is that if the company is not able to pay regular expenses through cash (Block & Hockett, 2022).

Here in the project A, cash can be garnished of almost 22 million pounds in the first 2 years, whereas in the first 2 years, project C provides 15 million pounds. So, based on the dangerous situation of cash condition of the company, the company should choose project A as it provides more cash in the first stage of the company. But if we consider overall projects, Project C should have more advantages to be chosen.

Forecasting Risk

Forecasting risk is related to future events and outcomes (Mavlutova et al., 2021). Though it is recommended to invest in project C, it will create some problems, as most of the income will appear in the last stages. So the company should be careful about the future uncertainties.

4.4 Final Recommendation

During a crisis, it is necessary to decide which course will provide the most value to the balance sheet (Colliard & Gromb, 2025).

Strategic Fit: Project C's high ARR (20%) significantly outpaces our cost of capital.
Capital Utilisation: After investing £50 million, the £60 million rationed budget includes a £10 million cushion.

Instead of being invested elsewhere, this £10 million should be held as liquid financial reserves to support working capital throughout the project's initial lean years.

According to this thorough financial assessment, General Electronics is in serious trouble but has a chance to turn things around.

The issue is a 115-day cash cycle, declining revenues, and negative margins.

The operational solution is to aggressively collect receivables and liquidate stagnant inventory in order to liberate around £40 million.

The strategic solution is to restore the balance sheet by selling off non-core assets and liquidating Treasury stock (Nguyen et al., 2025).

The Future: Putting the remaining funds into Project C, which has a £4.22 million Net Present Value and a strong 20% return.

This approach demands prompt, decisive leadership to be implemented. A further decline into insolvency within 24 months is the alternative (Wahyuni et al., 2023).

Conclusion

As this report shows the financial condition of General Electronics and the company is facing some troubles regarding financial aspects and issues, the company should follow some recommendations which will be very impactful for the future and the company should follow some strict strategies and rules which will sustain in the long run, Moreover the ratio analysis shows the actual condition of the projects where the last financial years and the impacts are described. To overcome such a condition, the company may improve their liquidity situation as well as their cash management strategies because this company needs to minimise the related cash management situation. Finally, to invest in some projects, capital budgeting techniques are allowed to analyse, and according to the analysis, the company will develop the investment through better performance as well as better solutions to overcome the problems.

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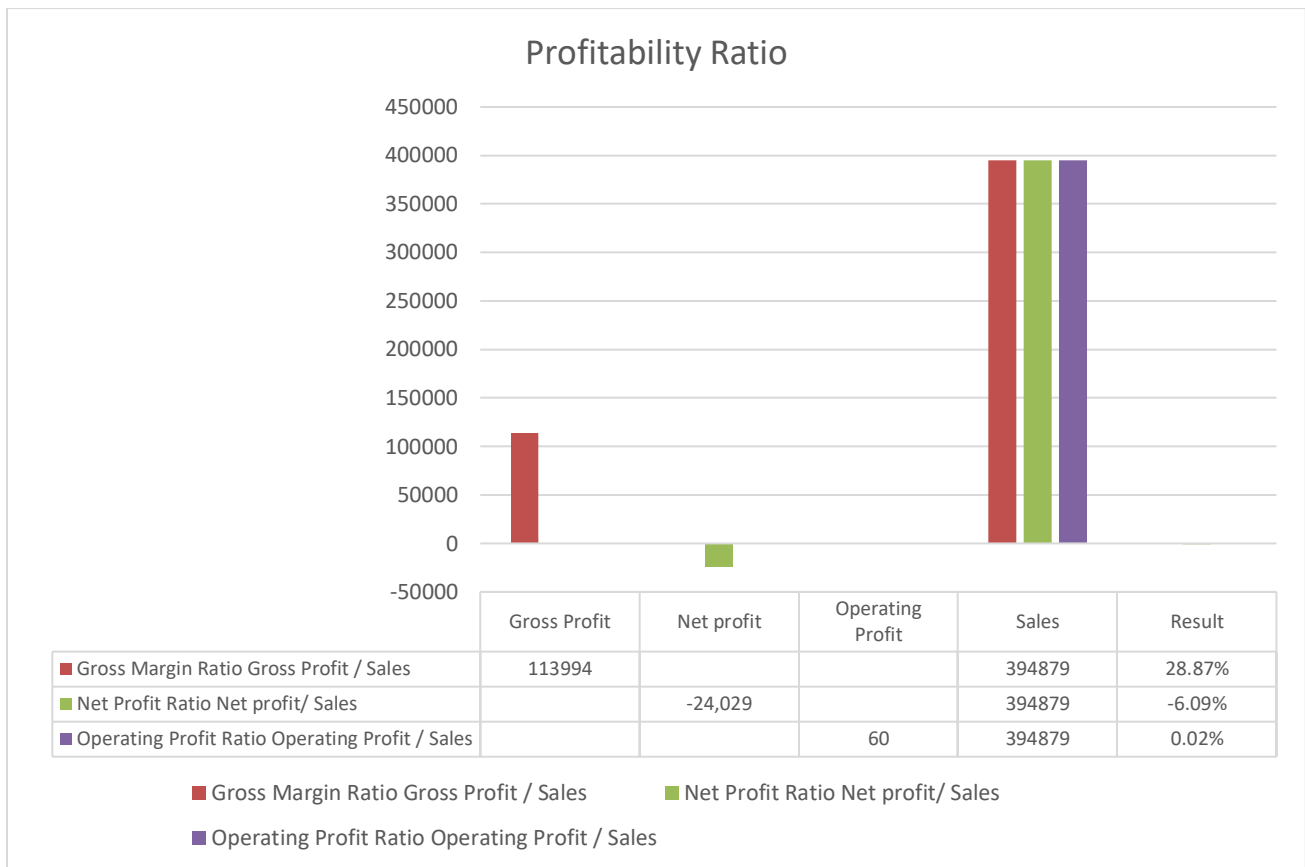
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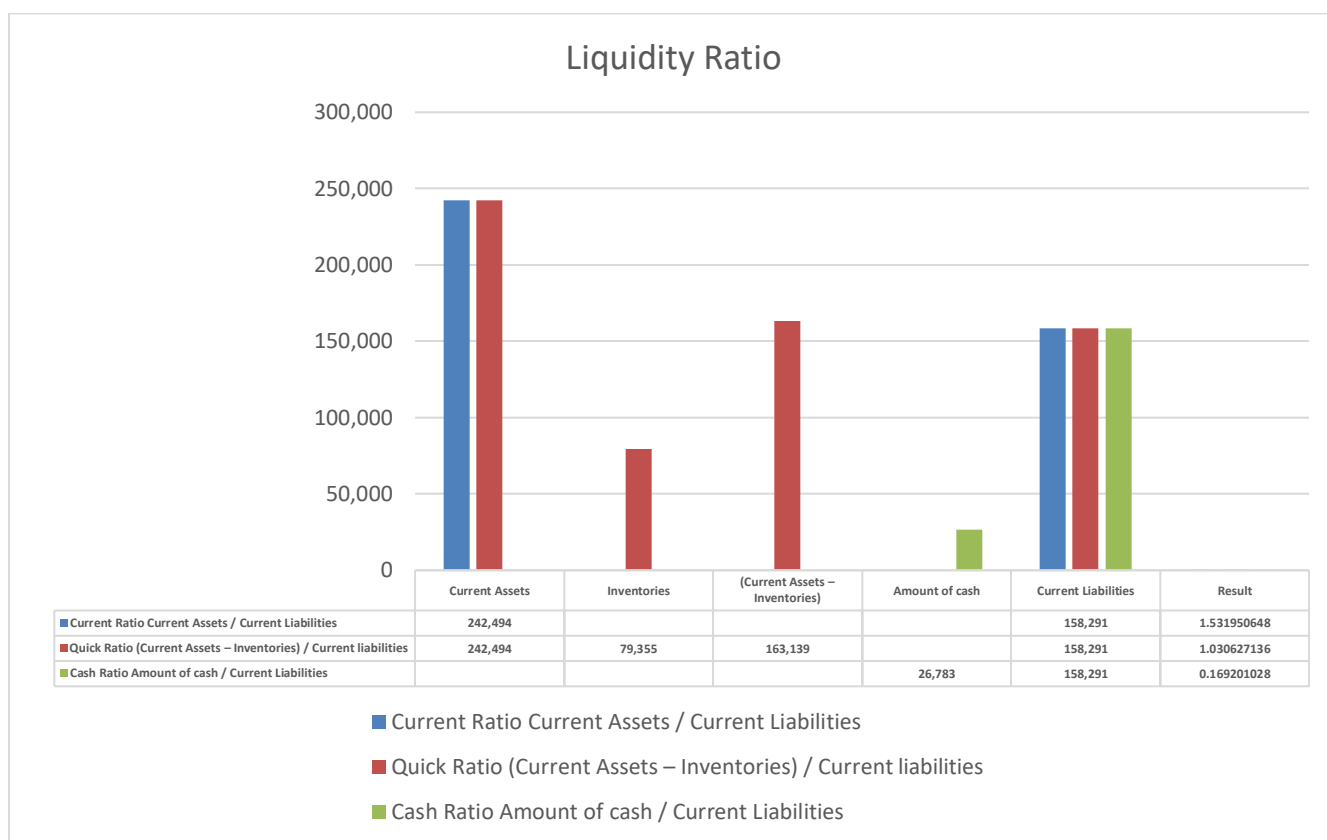
Appendices

a. Ratio tables and graphs

1. Profitability Ratio						
Ratio	Formula	Gross Profit	Net profit	Operating Profit	Sales	Result
Gross Margin Ratio	Gross Profit / Sales	113994			394879	28.87%
Net Profit Ratio	Net profit/ Sales		-24,029		394879	-6.09%
Operating Profit Ratio	Operating Profit / Sales			60	394879	0.02%

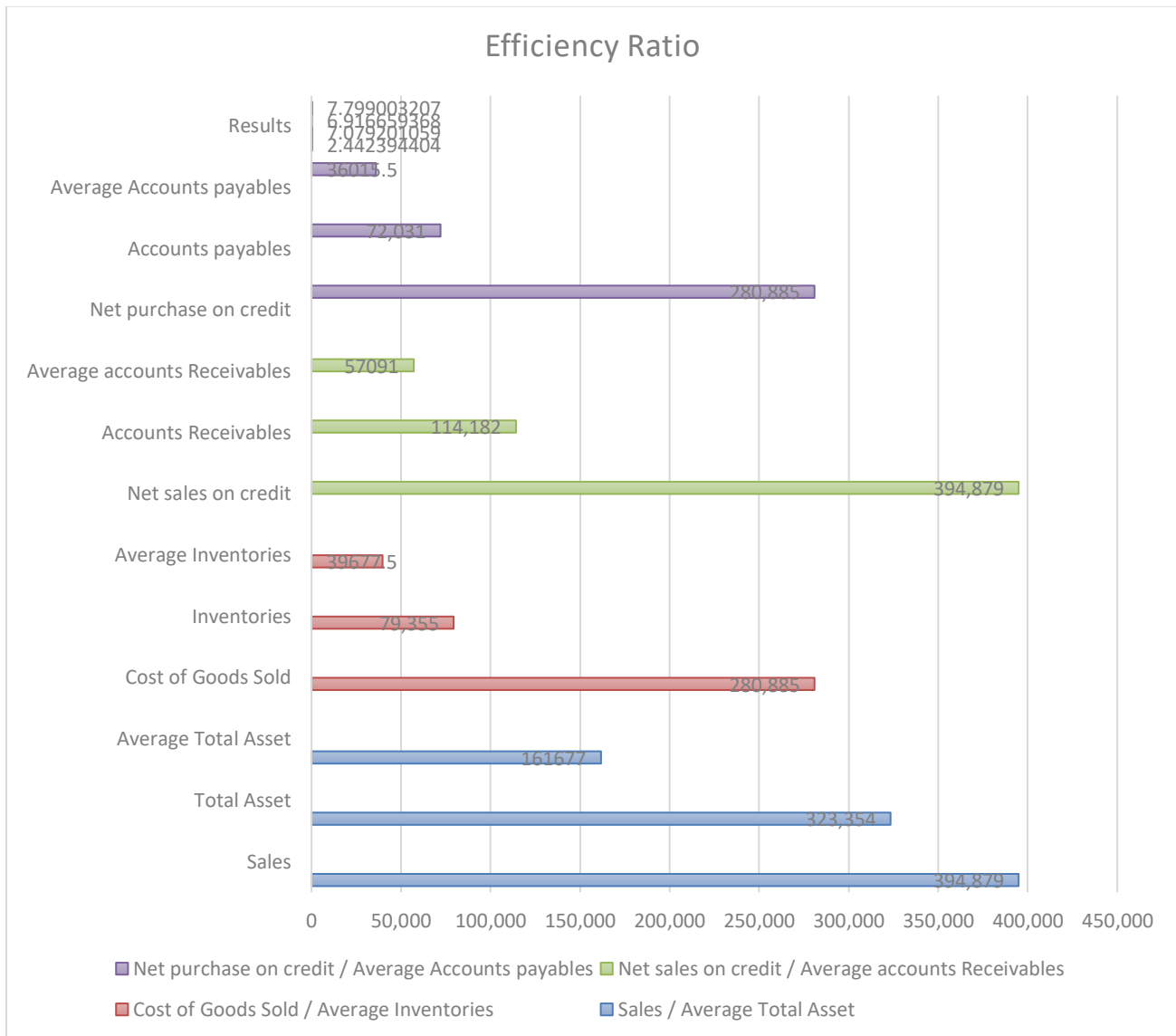


2. Liquidity Ratio							
Ratio	Formula	Current Assets	Inventories	(Current Assets – Inventories)	Amount of cash	Current Liabilities	Result
Current Ratio	Current Assets / Current Liabilities	242,494				158,291	1.531950648
Quick Ratio	(Current Assets – Inventories) / Current liabilities	242,494	79,355	163,139		158,291	1.030627136
Cash Ratio	Amount of cash / Current Liabilities				26,783	158,291	0.169201028

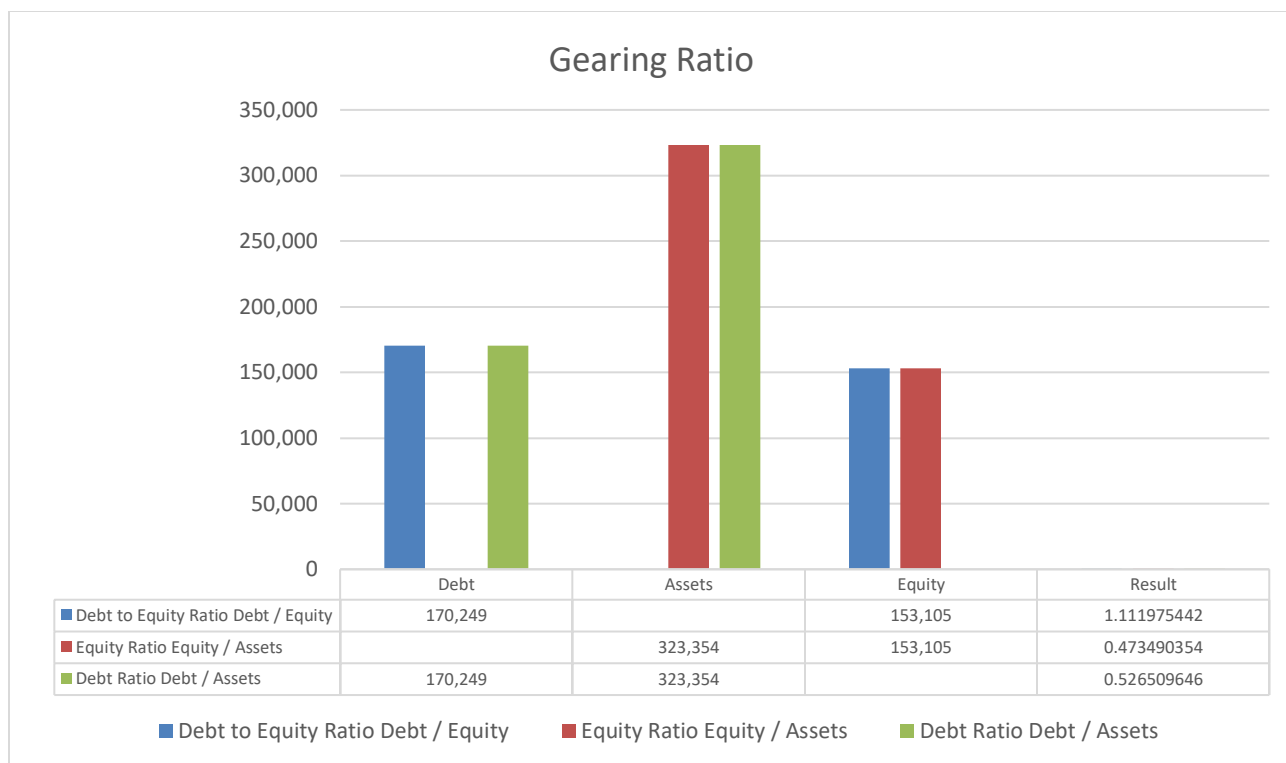


3. Efficiency Ratio														
Rati o	Form ula	Sal es	Tot al Ass et	Av era ge Tot al Ass et	Cos t of Go ods Sol d	Inve ntori es	Aver age Inve ntori es	Net sal es on cre dit	Acco unts Rece ivabl es	Aver age acco unts Rece ivabl es	Net pur cha se on cre dit	Acc oun ts pay abl es	Ave rag e Acc oun ts pay abl es	Resul ts
Ass et Tur nov er Rati o	Sales / Avera ge Total Asset	39 4,8 79	32 3,3 54	16 16 77										2.442 3944 04
Inve ntori y Tur nov er Rati o	Cost of Goods Sold / Avera ge Invent ories				28 0,8 85	79,3 55	3967 7.5							7.079 2010 59
Sale s Tur nov er Rati o	Net sales on credit / Avera ge accou nts Recei vables							39 4,8 79	114, 182	5709 1				6.916 6593 68
Pur cha se Tur nov er Rati o	Net purch ase on credit / Avera ge Accou nts										280 ,88 5	72, 031	360 15. 5	7.799 0032 07

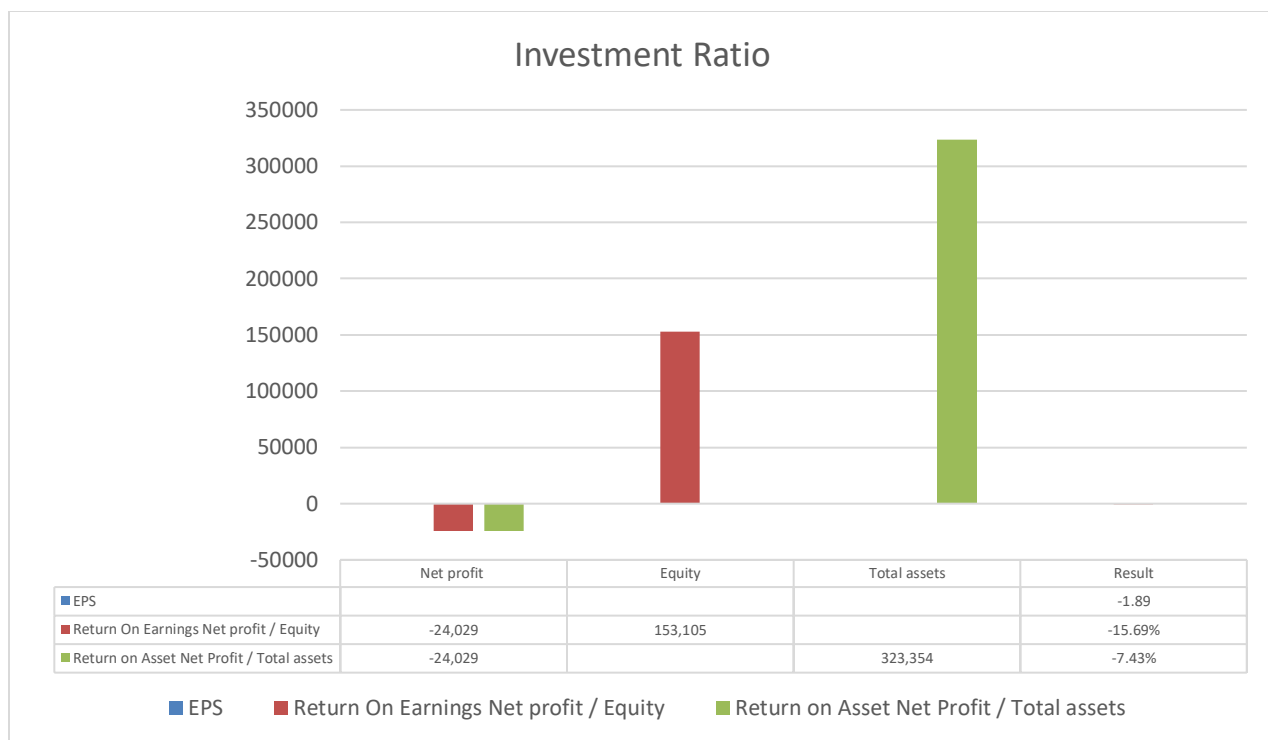
	payables												
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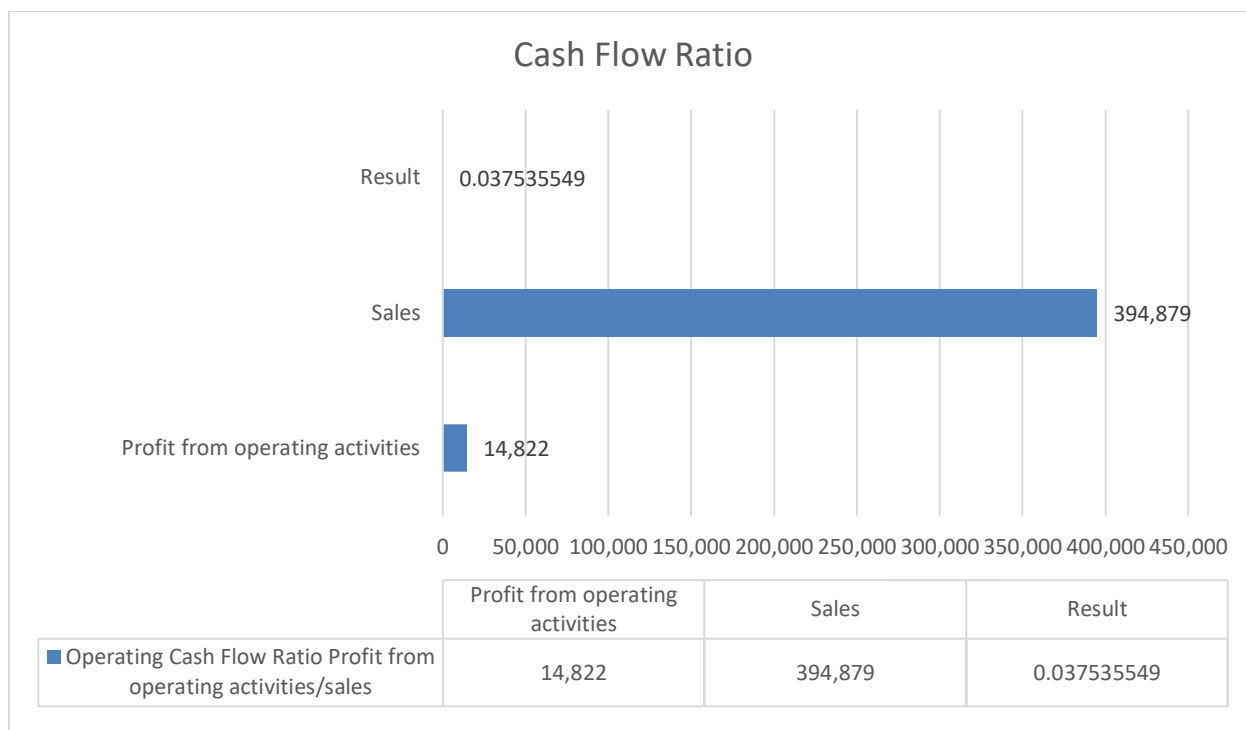
4. Gearing Ratio					
Ratio	Formula	Debt	Assets	Equity	Result
Debt to Equity Ratio	Debt / Equity	170,249		153,105	1.111975442
Equity Ratio	Equity / Assets		323,354	153,105	0.473490354
Debt Ratio	Debt / Assets	170,249	323,354		0.526509646



5. Investment Ratio					
Ratio	Formula	Net profit	Equity	Total assets	Result
EPS					-1.89
Return On Earnings	Net profit / Equity	-24,029	153,105		-15.69%
Return on Asset	Net Profit / Total assets	-24,029		323,354	-7.43%



6. Cash Flow Ratio				
Ratio	Formula	Profit from operating activities	Sales	Result
Operating Cash Flow Ratio	Profit from operating activities/sales	14,822	394,879	0.037535549



b. Investment appraisal calculations

- Payback Period and ARR for Project A

Pay Back Period		
Year	Cash Flow	Cumulative Cash Flow
1	10	10
2	12	22
3	14	36
4	10	46
5	8	54
Pay Back Period =		3.4

$$\text{Pay Back Period} = A + (\text{Investment} - C) / D = 3 + (40 - 36) / 10 = 3.4 \text{ Years}$$

Annual Rate of Return

Annual Rate of Return is another way to measure the profitability based on an investment. Here the depreciation = $40 / 5 = 8$ Pounds		
Average net income	Average Investment	Annual Rate of Return
2.8	20	14%

- Net Present Value, Profitability Index and IRR for Project A**

P3									
	A	B	C	D	E	F	G	H	I
1									
2	The discount rate	10%			Net present income	41.3242			
3	Initial investment	40			NPV at 10%	1.33			
4	Year	Cash Flow	Cumulative Cash Flow		NPV at 13%	-1.57			
5	1	10	10						
6	2	12	22						
7	3	14	36						
8	4	10	46						
9	5	8	54						
10									
11	NPV	1.32417681							
12	Profitability Index	1.03310442							
13	IRR	11%							
14									
15									
16									

- For Project B**

P8													
	A	B	C	D	E	F	G	H	I	J	K	L	
1													
2	The discount rate	10%			Net present income	22.7447206							
3	Initial investment	30			NPV at 10%	-7.2552794							
4	Year	Cash Flow	Cumulative Cash Flow										
5	1	6	6										
6	2	6	12										
7	3	6	18										
8	4	6	24										
9	5	6	30										
10													
11	Pay Back Period	5	As the investment is 30 pounds and in the year of 5 years, the company will get the return of 30 pounds at the end.										
12	Annual Rate of Return	-13.33%											
13	NPV	-7.2552794											
14	Profitability Index	0.75815735											
15	IRR	0%	As the nominal outcome is exactly the same for the company in net cash flow, the proper Internal rate of return will be 0%										
16													
17													
18													

- For Project C**

L6								
	A	B	C	D	E	F	G	H
1								
2	The discount rate	10%			Net present income	54.2253696		
3	Initial investment	50			NPV at 10%	4.2253696		
4	Year	Cash Flow	Cumulative Cash Flow		NPV at 16%	-3.19		
5	1	5	5		Depreciation	10		
6	2	10	15		Average net income	5		
7	3	20	35		Average Investment	25		
8	4	25	60					
9	5	15	75					
10								
11								
12	Pay Back Period	3.6						
13	Annual Rate of Return	20%						
14	NPV	4.225369603						
15	Profitability Index	1.084507392						
16	IRR	12.85%						
17								
18								