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FINANCIAL MANAGEMENT

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Programme: MBA International Business

Subject: Financial Management(LCMB 7002)

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Date of Submission: April 24, 2024

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History of JP Morgan (2020-2024)

History and Overview

JPMorgan Chase & Co., the largest financial service provider in the world colloquially known as JPMorgan, is undoubtedly one of the financial giants in the present era. Upon tracing back, the roots to the 19th century as its primary foundation, we can see that its predecessor which was set up by the world-renowned financier, J.P. Morgan, known as J.P. Morgan & Co., was set up in 1871 (Maher, S., 2024). J.P. Morgan was one of the crucial players in restructuring the American Economy during this particular era, helping mainly in financing railroads, industrial giants and even the U.S. government. One of the pivotal entities that Chase Manhattan Corporation became was in the JPMorgan forebearers' merger of Chase National Bank and The Manhattan Company in 1955 (Chestek's K, 2019). Chase National Bank was started in the early 1800s and furnished a considerable part of American businesses and infrastructure support.

The combination of Chase Manhattan Corporation and J.P. Morgan & Co. in the year 2000 gave birth to JPMorgan Chase & Co. (Morgan, J.P., 2017), which became a paramount event for the financial industry. Further to this merger, two very prominent institutions, J.P. Morgan's, which holds a wide array of financial capabilities, and Chase's, which has a vast network of retail banks, were brought under one roof. JPMorgan Chase & Co. is one of the world's most diversified financial services firms operating as a multinational investment bank and financial services holding company with the primary purpose of offering a comprehensive line-up of asset management services, investment banking, commercial banking, as well as retail banking. The business on a global scale has become massive, and the company's operations hold branches all around the continents which serve millions of customers all over the world (PARIHAR, S.B., 2022).

Through the years, during different economic cycles, JPMorgan has managed to stand strong and is now qualifying to be recognized among the influential players in the financial sector (Wójcik, D., 2018). Its innovative approach to banking, comprehensive risk management and widespread acquisitions empower the financial institution to take up the position of a top and significant global financial institution.

Also, JPMorgan is the first mover in technological change in finance, it uses data analytics, and artificial intelligence to transform its operations and make its client's services better. However, there are also instances of periodical controversies as well as the regulator's scrutiny and still the financial market is marked by the immeasurable influence of JPMorgan which impacts financial markets ecosystems, economies, as well as public policies.

Business Model of JP Morgan

By assisting clients across a spectrum of industries in projects of all sizes involving corporations, governments, and institutional clients, JPMorgan's investment banking division can offer a diverse set of services. The service categories involve larger in-depth analysis of acquisitions and mergers dealings, fundraising for IPOs and bond offerings, advisory strategies and restructuring operations of enterprises (Ghuman, D., 2020).

The investment banking field also involves dealing with trading activities which are conducted through the means of various asset classes, namely, equities, fixed-income securities, currencies, commodities, and derivatives. About JPMorgan investment services, the company produces investment solutions designed according to the applicable needs of private investors, institutional clients, and financial buyers. Since, the company through its asset management division, has an investment style across equities, fixed income, alternative investments, multi-asset solutions, and private equity.

JPMorgan's asset management services cater to wide-ranging clients some of which include retail investors larger pension funds and sovereign investment funds (Gomber P. 2018). It is no wonder that private banking is the second critical segment of JPMorgan's portfolio that extends to multi-national clients that have tremendous asset value. JPMorgan Private Bank provides one-on-one relationship managers who help provide services for an array of private business and personal needs like investment management, trust and estate planning, lending and philanthropic advisory plans (Santacruz, L., 2017). The private banking division provides individualized financial solutions intended to ensure and build clients' wealth in a long-term perspective as well as thanks to the bank's proprietary know-how and broad presence worldwide.

The commercial banking part of JPMorgan deals with the financial matters of small and medium enterprises, big businesses, and course, multinational firms. It has three subsidiaries among

which the commercial banking division strives to serve the customized needs of medium and large enterprises by the edge of its banking services such as cash management, credit and lending services, treasury services, trade finance, and advisory on corporate finance (McWaters, R.J., 2020). JPMorgan offers commercial banking services for business operations to improve spending and asset management competencies, achieve greater liquidity, and support growth and expansion plans.

Beyond this, JPMorgan is a leading player in the retail banking industry, offering banking products and services to customers all across America and in other selected international markets. JP Morgan Chase's bank division, retail banking, is pursued under the name of Chase and serves a wide variety of consumer banking products which include checking and savings accounts, credit cards, mortgages, auto loans, personal loans and small business banking services (Wewege, L., 2020). Chase has the largest number of branches, along with the most convenient digital banking platforms in the US that allow customers to save time and effort.

Major Competitors of JP Morgan

Due to the highly pernicious contest in the financial sector, JPMorgan Chase & Co. sets controversial opponents who aim for the control of the market in diversified sectors. Moreover, Bank of America finds itself as one of the most important competitors as it covers a huge range of services from retail banking, and wealth management to corporate banking (Rana, R., 2016). Also, like JP Morgan, Wells Fargo & Company (WFC) is a major threat given its wide range of financial services covering commercial and retail banking, credit cards, merchant services, investment and asset management, auto and home lending, commercial banking, and through its subsidiaries such as Charles Schwab offering investment products and online banking to compete with JP Morgan (Hearit L.B, 2018).

Besides JP Morgan, Morgan Stanley also stands out as another key challenger of the same kind, competing with JP Morgan in essentially the same areas of investment banking, wealth management, and institutional securities, where it also offers financial advisory services to corporations and institutions. Barclays PLC of Britain with its strong roots in Europe and beyond, competes robustly against JP Morgan for a diversified customer base in the investment banking,

bank-to-corporate and wealth segment, where its significant global presence played a role (Securities, B.M.L.C.M. and Stanley, M.).

In addition to that, UBS Group AG - which let's say, is the undisputed leader in the Swiss financial industry - might as well be a rival for JP Morgan in areas of investment banking, wealth management and asset management. Both organizations endeavour to hold the groundwater, the turnover bringing a more competitive environment (Markham, 1979, J.W., 2017). The cutthroat competition in the financial services industry is brought about by changes in regulation, the evolution of market trends, and the shift in preferences among customers. These competitors and other foreign banks are continuously working to introduce new products, improve their customer service, utilize technology, and grow globally to gain a competitive edge in the financial services industry, which is a volatile sector.

Major Events Occurred in the Years 2020-2024

During the COVID-19 epidemic, JPMorgan, as well as many financial institutions, were presented with many different tasks. Economic turmoil brought on by the disaster forced the bank to enact provisions for credit losses, which were supposed to counter a surge in defaults that was likely due to generalized economic uncertainty (Barr, m.s., 2020). Consequently, fluctuations that couldn't be limited in parts of the business, such as investment banking and wealth management, forced the company to adapt its operations by reacting quickly to continuously changing conditions of the markets. JPMorgan emphasized the necessity of supporting its employees' health along with the necessity of keeping business running, and thus various remote work arrangements were implemented as well as strict protocols around the globe (O'Malley, MM, 2022).

Those were the days of JPMorgan 2021 when the firm saw a drastic shift in its leadership as it began the recruitment process. The appointment of the new CEO represented the culmination of a heading-changing role of James Dimon at the helm of the organization (HAMDANI, A., 2022). This transition in leadership brought discussion of the shifts in the vision and focal points of the company. Market participants and shareholders were observing and considering the new chief executive, hoping to see the ongoing elements clearly but at the same time wondering if there

would be any critical change. Leadership succession acted as one more proof that JPM organ ensures dynamic corporate governance.

In 2022, JPMorgan saw a chance to develop long-term strategies, especially in fintech, a promising financial technology industry. Acknowledging that digital innovation is gaining traction in financial services, the organization embarked on investments and partnerships which were meant to not only retain current clients but also enable reaching a broader customer segment (Skinner, C., 2020). For this reason, one of the key strategic shifts moreover was a partnership with fintech startups, having digital banking platforms investment as well, and currently the invention of innovative financial technologies. However, JPMorgan made a technological breakthrough and tried to provide a better customer experience, streamlined operations, and a competitive edge in an environment where the digital world is the leading one (Kroeller, 2023).

Although its strategic attempts were made, last year JPMorgan faced a fundamental issue: non-compliance with the rules and regulations from the authorities and accusations of misconduct. They prompted the company to spend a lot of money on legal and such a situation may damage seriously the company's reputation, illustrating the fact that the company's risk management and compliance with regulations should be at the top level (Ceppi, J.P., 2023). JPMorgan experienced the presence of more regulators and stakeholders, which required more repeat awards to overcome interference and rebuild trust. It also teaches us about the complexities and risks involved in the highly controlled and monitored landscape. Moreover, it shows that there are some factors to consider before one can operate in such an industry.

JPMorgan has done this to strengthen its market share and also diversify its revenue streams with the division through mergers and acquisitions in 2024. By the way, it bore both acquisitions and mergers with other financial institutions to enhance competitiveness and capitalize on emerging business spots in the financial sector that calculatingly changed (Lyu, S., 2024).

Financial Ratios

Ratios	Calculation
ROA = Net Income / Average Total Assets x	= 37,676 million / ((3,665,743 million + 3,743,567

Ratios	Calculation
100	million) / 2) x 100 = 37,676 million / 3,704,655 million x 100 = 1.02%
Current Ratio = Current Assets / Current Liabilities	= 3,565,905 million / 3,065,936 million = 1.16
Net Gearing Ratio = (Long-term Debt - Cash and Cash Equivalents) / (Total Equity)	= (295,865 million - 27,697 million) / 292,332 million = 0.89
Efficiency Ratio = Noninterest Expense / (Net Interest Income + Noninterest Revenue) x 100	= 76,140 million / (66,710 million + 61,985 million) x 100 = 0.77 x 100 = 77%

Return on Assets

ROA, as a measure, serves as an indicator of a company's efficiency in cash flow generation through asset mobilization (Kusuma, M., 2021). ROA of 1.02% denotes that the bank earned around 1.02 cents as a net profit by carrying assets of 1\$ on its books.

ROA differs among industries. The difference is that comparisons between JPM's ROA with its peers in the financial services industry should be done to understand the performance accuracy better. It should be noted that a higher ROA is advantageous unless it's in the finance sector that might record less ROA, thanks to the characteristics of their assets and the type of business they operate on.

Current Ratio

The current ratio is a measure of how well a company can pay its cash-at-hand bills through its cash-at-hand resources (Rambe, I., 2021). Currently, the company's current ratio stands at 1.16, which means that JPMorgan holds 1.16 times of current assets compared to the dollar of current liabilities.

Usually, a current ratio higher than one signifies that the company has more than enough short-term assets to pay its short-term liabilities so long as it stays at a healthy level. Feasibly, a huge amount of the current ratio could show the lack of usage of some assets which consequently brings a negative impact on the income.

Net Gearing Ratio

The ratio of the net gearing shows the proportion big by securing loans which is debt minus cash and other assets equivalent (Karmaška, A., 2020). A strong net gearing ratio of 89% stands with normalized long-term debt, which is reviewed with cash, only 89% of the shareholder's equity.

A low gearing ratio is an indicator that the company is not too financially exposed to any outside debt financing stress, but is rather standing on its own feet. However, a too-large gearing ratio is not a good sign and is likely to be interpreted as the use of debt mechanisms so much that without good returns, the profitability and even the shareholder returns will be hampered.

Efficiency Ratio

An efficiency ratio is an indicator of a company's ability to perform its operational expenses in parity with its revenue (Lee, C.C., 2023). The column for the undergoing ratio illustrates that JPMorgan had a ratio of 77%, showing that the bank spent 77 cents for every dollar of net interest earnings and non-interest revenues.

By default, a low turnover ratio is preferred because that is how you find out that you are doing a better job in handling your expenses and you become more efficient in achieving profitability. Nevertheless, the most appropriate efficiency ratio will depend upon an industry and its requirements, for instance, in the financial sector, the operating costs, and legal compliance can impact the ratio.

Comparison with the Bank of America

Ratios	JP Morgan	Bank of America
ROA = Net Income / Average Total Assets x 100	= 37,676 million / ((3,665,743 million + 3,743,567 million) / 2) x 100 = 37,676 million / 3,704,655 million x 100 = 1.02%	= 27,528 million / 3,051,375 million x 100 = 0.90%
Current Ratio = Current Assets /	= 3,565,905 million / 3,065,936 million =	= 230,203 million / 36,447

Ratios	JP Morgan	Bank of America
Current Liabilities	1.16	million = 6.32
Net Gearing Ratio = (Long-term Debt - Cash and Cash Equivalents) / (Total Equity)	= (295,865 million - 27,697 million) / 292,332 million = 0.89	= (302,204 million - 333,073 million) / 273,197 million = - 0.11
Efficiency Ratio = Noninterest Expense / (Net Interest Income + Noninterest Revenue) x 100	= 76,140 million / (66,710 million + 61,985 million) x 100 = 0.77 x 100 = 77%	= 61,438 million / (52,462 million + 42,488 million) x 100 = 74.7%

Return on Assets

- **JP Morgan:** 1.02%
- **Bank of America:** 0.90%

Return on Assets (ROA) is an important financial term used to rate how much profit a company generates per unit of assets it has invested in. The ROA of JPMorgan measured and compared with Bank of America's RoA tell about their different operational performance and asset utilization.

JPMorgan's ROA of 1.02% has a slightly higher level for bank efficiency in converting its assets into profits than that of Bank of America which has a ROA of 0.90%. Although the gap may seem minor, it demonstrates that JPMorgan can achieve greater profits off each dollar that goes through its assets.

Such further research will trace the factors triggering such a variance in ROA for the two banks. JPMorgan could also have a higher ROA because of the potential of specialized asset management practices, the efficient usage of capital, and the possibility of a more advantageous business mix. Not only will the company do business with a range of income-earning sources but also be more simplistic; some side of the business may be most profitable.

Along with that, JPMorgan's operations efficacy and cost regulations might be the reasons for a higher ROA as well. The company may have provoked measures aimed at reducing costs and allocating resources appropriately that brought to the level of profitability. JPMorgan's size and impact across the globe can give rise to economies of scale, which in turn, will translate to higher return on assets rather than Bank of America.

Acid-Test Ratio

- **JP Morgan:** 1.16
- **Bank of America:** 3.32

The current ratio is a fundamental indicator of the liquidity of a company that assesses whether its current assets meet the expectations for short-term liabilities. The JPMorgan and the Bank of America current ratios comparison deliver information on the banks' liquidity and financial circumstances.

Indicating that Bank of America has a current ratio of 6.32 which is a really large current assets proportion relative to the size of current liabilities the bank holds can also be argued. In plain English, this means that Bank of America's liquidity covers its short-term liabilities for 1.5 times and more. Thus, this liquidity amount may contribute to the capacity of the bank to meet sudden cash demands, act upon opportunities or pursue its business objectives with certainty even during changing markets.

While Bank of America's quick ratio of 0.79 indicates an aggressive liquidity posture, the current ratio of 1.16 of JPMorgan can be interpreted as a cautious one in comparison. The current ratio of JPMorgan might prove itself to be safe enough, yet the ratio has a lower margin of safety in comparison to Bank of America. JPMorgan can have a lower to more flexible liquidity buffer that may necessitate a higher level of effectiveness in reducing working capital and monitoring existing liquidity risks.

A thorough examination of current assets and liabilities' composition for each bank is performed as part of the asset analysis. At Bank of America, we can identify several reasons behind the bank having a higher current ratio which involves the possession of a higher cash position, more marketable securities and more conservative short-term debt obligations. Similarly, one rationalisation for JPMorgan's lower current ratio could be the fact that it embraces a different kind of asset-liability ratio with more focus on longer-term investments or a higher proportion of non-current liabilities.

As well as that, you can consider the financial indicators and historical tendencies of the industry to give additional information to the JPMorgan and the Bank of America comparative current

ratios review. Gases such as general regulations, lack of capital or management strategies can affect both the liquidity management and the current ratio of the two institutions.

Net Gearing Ratio

- **JP Morgan:** 0.89
- **Bank of America:** -0.11 (negative value)

The net borrowing gearing indicator is a financial metric that assesses the percentage of a company's long-term debt as compared to its equity, providing information on its capital structure and risk capability. The net gearing ratios also give us an insight into the levels of leverage and the risks for JPMorgan and Bank of America since there is a comparison of the two.

JPMorgan's net gearing ratio of 8.9 represents a similar query, rather than short-term debt financing to an extent than equity. This infers that JPMorgan has made use of debt financing to provide support to its operations and development so long as it measures up with the equity base. Slightly higher gearing with a debt ratio in the capital structure of JPMorgan brings both advantages of tax breaks that Debt carries as well as managing the financial risk effectively.

In the case of another big bank, Bank of America, the similar ratio of net gearing is -0.11 and it demonstrates the situation when the bank's cash and cash equivalents exceed its long-term debt. This uncommon situation signifies that Bank of America possess a conservative capital design, which is also characterized by a considerable amount of liquidity since the bank cash holdings surpass their long-term maturity obligations. An unfavourable net gearing ratio may be caused by some companies despite the current circumstances as a result of their hesitancy to invest to weather the storm of the economic recession or a deliberate strategy to have a financially flexible arrangement for reducing interest expenses.

When conducting a comprehensive investigation of the companies' debt 'covenant', in addition to assessing their liquidity issues, cash positions, and the measures they take to manage their debt obligations, the analysis also takes into account other factors such as the maturity and composition of the debt obligations. The gearing ratio of JPMorgan may be due to consideration of factors such as the firm's investment banking opportunities, asset management tools, and key

acquisitions. Debt financing can be used by the company to put money into fueling the expansion strategy, filling the requisite working capital or strengthening the firm's capital structure.

Efficiency Ratio

- **JP Morgan:** 77%
- **Bank of America:** 74.7%

Efficiency ratio is a vital component of financial analysis that evaluates the management of operating costs, concerning the revenue of a company. The calculated efficiency ratios for JPMorgan and Bank of America help analyse the operations efficiency and cost control methods used by the banks.

JPMorgan's efficiency ratio of 77% signifies that the firm uses a significant amount of money – around 77 cents of operating expenses for every dollar of sales it produces. Analogously, Bank of America's efficiency ratio of 74.7% implies that the sandbox bank sends about 74.7 cents on its spending towards operating expenses for every dollar of the income it makes. On the one hand, these entities illustrate quite a high efficiency ratio which signifies a successful cost control method and management.

Taking a deeper dive into this factor begins to explore the contributors of the slightly different efficiency ratios that JPMorgan and Bank of America share. Even though both companies are quite successful in keeping a grip on their operating costs, BOA marginally outperforms JPMorgan using its lower efficiency ratio which indicates an increase in the efficiency of the company in managing its costs-to-revenue ratio in the short term. It may lie in differences in organizational structure, workforce productivity, technological investments and improvements in processes and processes.

Bank of America could have a lower efficiency ratio due to its focus on continuous improvement and cost control as organized in the entire venture. Through the practices the bank keeps introducing, it has developed automated processes swiftly and maintains productivity levels simultaneously, thus bypassing system constraints to enlarge efficiency and cut down expenses. On top of that, Bank of America's scale and the ability to conduct operations simultaneously

incorporating the principles of the economy of scales should lower the efficiency ratio compared to JPMorgan.

On the contrary, despite the higher 52.8% efficiency ratio of JPMorgan, this bank still manages its costs quite effectively in comparison with its very high 2016 revenues. The firm might have a strategic drive via investing in areas like technology, talent development and customer service to result in long-term growth and operational performance improvement. JPMorgan's higher efficiency ratio could, also, be because the business is split into different segments by factors like the business mix, geographic footprint and regulatory requirements that each segment influences the operating expenses and revenue generation differently.

Recommendations for Improvement

JP Morgan's financial tasks can be upgraded through a few key drives. First, increasing overall efficiency can be achieved by increasing asset utilization by reallocating capital to high-yield strategies and disposing of under performing assets. Besides, improving liquidity management through standard assessment of receivables and payables, combined with pressure testing and situation investigation, guarantees adequate liquidity and hazard alleviation. Financial flexibility can also be improved by optimizing the capital structure by analyzing the allocation of debt and equity and looking for favourable terms and refinancing opportunities. For long-term financial health, effective cost management, leveraging technology, operational enhancements, and securing cost-effective contracts with vendors is essential. Potential risks can be reduced by strengthening risk management, diversifying revenue streams, and ensuring compliance with regulations. Putting resources into innovation and development, like computer-based intelligence and block chain, empowers JP Morgan to comprehend client needs and investigate new income streams. A positive relationship with authorities is cultivated and legal risks are reduced when compliance with government regulations is prioritized. Last but not least, investing in talent development initiatives produces a workforce with a high level of expertise that can drive long-term success through continuous learning and development.

Evaluation of New Investment Opportunities

Metrics	Project A	Project B
Payback Period	= 2 years+(500/1000) years=2.5 years	= 0 years+(1000/1500) years = 0.67

Metrics	Project A	Project B
		years
Accounting Rate of Return (ARR)	Average Annual Profit = $(2500 + 2000 + 1000 - 442) / 4 = 1,264.5$ million ARR = (Average Annual Profit / Initial Investment) * 100% = $(1,264.5 / 5000) * 100\% = 25.29\%$	Average Annual Profit = $(1500 + 1000 + 1000 - 470) / 4 = 75.75\%$ ARR = (Average Annual Profit / Initial Investment)

Metric	Project A	Project B
Net Present Value (NPV)	$NPV = \sum (\text{Cashflows} / (1 + r)^n) - \text{Initial Investment}$ $NPV_a = -5000 / (1 + 0.0075)^0 + 2500 / (1 + 0.0075)^1 + 2000 / (1 + 0.0075)^2 + 1000 / (1 + 0.0075)^3 - 442 / (1 + 0.0075)^4 - 5000$ $NPV_a = -5000 + 2500 / 1.0075 + 2000 / 1.015025 + 1000 / 1.02258844 - 442 / 1.030154439 - 5000$ $NPV_a = -5000 + 2481.24 + 1972.85 + 975.06 - 429.12 - 5000$ $NPV_a = 0.57 \text{ million}$	$NPV = \sum (\text{Cashflows} / (1 + r)^n) - \text{Initial Investment}$ $NPV_a = -1000 / (1 + 0.0075)^0 + 1500 / (1 + 0.0075)^1 + 1000 / (1 + 0.0075)^2 + 1000 / (1 + 0.0075)^3 - 470 / (1 + 0.0075)^4 - 1000$ $NPV_a = -1000 + 1500 / 1.0075 + 1000 / 1.015025 + 1000 / 1.02258844 - 470 / 1.030154439 - 1000$ $NPV_a = -1000 + 1488.86 + 985.57 + 486.26 - 454.39 - 1000$ $NPV_a = 1995.67 \text{ million}$

Evaluation and Recommendation

Assessing financial project instruments like PBP, ARR, and NPV gives significant bits of knowledge into benefit and practicality. Project A has a more limited restitution period (2.5 years) contrasted with Task B (0.67 years), showing speedier returns. In any case, Task B boasts a higher ARR (75.75%) versus Project A's NPV (25.29%) (1995.67 million pounds versus 0.57 million pound for Project A) and 25.29%, respectively, pointing to increased profitability over time. Notwithstanding its more extended compensation period, Task B's higher ARR and NPV pursue it as the favoured decision for amplifying esteem creation and productivity. In this way, Venture B is prescribed for speculation to enhance esteem creation.

Recalculation of NPV

Metric	Project A	Project B
Net Present Value (NPV)	$NPV = \sum (\text{Cashflows} / (1 + r)^n) - \text{Initial Investment}$ $NPV_a = 2250 / (1 + 0.0075)^1 + 1800 / (1 + 0.0075)^2 + 900 / (1 + 0.0075)^3 - 397.8 / (1 + 0.0075)^4 - 5500$ $NPV_a = 2250 / 1.0075 +$	$NPV = \sum (\text{Cashflows} / (1 + r)^n) - \text{Initial Investment}$ $NPV_a = 1350 / (1 + 0.0075)^1 + 900 / (1 + 0.0075)^2 + 900 / (1 + 0.0075)^3 - 423 / (1 + 0.0075)^4 - 1100$ $NPV_a = 1350 / 1.0075 +$

Metric	Project A	Project B
	1800 / 1.015025 + 900 / 1.02258844 - 397.8 / 1.030154439 - 5500 NPV _a = -999.49 million pounds	900 / 1.015025 + 900 / 1.02258844 - 423 / 1.030154439 - 1100 NPV _a = 1596.11 million pounds

After a 10% change in project consumptions and incomes, both Undertaking Task A has negative NPV and Task B yield positive NPVs. Project A produces £-999.49 million NPV, while Venture B's NPV is higher. This suggests that Project B may provide a higher ROI. The decision is based on changes to investments and cash flow. Notwithstanding the two undertakings being productive long haul, Venture B's higher NPV shows it could expand returns and improve investor esteem, settling on it as the favoured speculation decision given refined NPV information.

Advantages and Disadvantages of Evaluation Techniques

Payback Period	
Advantages	Shortcomings
The Payback Period (PBP) has several perks making it a helpful tool for calculating the viability of investment projects. Firstly, its simplicity is a function helpful to the managers and other shareholders even somebody with inadequate financial knowledge. The PBP gives the actual calculation of the period required to recover the initial investment that matters for investor purposes and simplifies comparisons between various projects. Moreover, PBP is an effective instrument for the task of risk assessment as the payback period reveals when will the initial investment be recouped. Those projects that exhibit lower risk are	The main drawback is time discounting, which means interest does not consider any time delays. With the PBP method not taking into account not only the time but also the amount of money won or lost after the payback period, it is easy for one to draw false conclusions, particularly for a project that would lose and win currency at different moments in time. In the same way, PBP has some limitations that deal with only the payback period and not with cash flows that exist in the period beyond the payback period. Such negligence may lead to the country choosing to build projects that will give them a smaller return on investment in the long run,

typically those with greater uptime. The risk associated with these is lower, as they may lead to a quicker return for investors. Thus, they may give decision-makers makers measure of reassurance.	as there is no PBP which depicts a single dimension of a project over its entire lifecycle with possible future benefits. Consequently, PBP can represent the simplicity of cash flows and earnings, but as it doesn't account for the time value of money and long-term cash flows it just can't compete for the most sophisticated and comprehensive investment evaluation tool with the present value method.
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Accounting Rate of Return	
Advantages	Shortcomings
Accounting Rate of Return (ARR), on the side of balances, has several dignities in the project investment analysis. Moreover, similar to the PBP ARR is simple to compute and comprehend, thus non-financial professionals have the autonomy to calculate these variables easily. Its simple formula makes it quite a straightforward task by looking at the accounting profits compared to the initial investment as a way of understanding whether the project is profitable or whether it is a cost known for sure. Besides, ARR pertains to accounting profits that are written in a manner that is compatible with the common understanding of managers and other investors thus it becomes more applicable and meaningful.	One pitfall of the method is the fact that it doesn't consider the time value of money, similar to the one of the Payback Period. ARR does not pay due attention to the timing and amount of cash flows and ignores them at financing costs. As a result, ARR may bring about inaccurate assessments of the project's profitability in the case of projects that have a long time duration or experience uneven flow of projects over time. On top of this, ARR employs solely accounting profits that can be subject to accounting methods and assumptions reliance which can affect the conclusions identification as misleading. Additionally, ARR is only about the question of revenue, whereas cash flows – which are the crux – of the activity are not included in the assessment. Hence, while ARR provides

	simplicity and profits in mind as the main elements of the investment valuation, the problem is the fact that the time value of money is ignored and the financial criteria applied according to accounting profits are slack in assessing profitability comprehensively.
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Net Present Value	
Advantages	Shortcomings
NPV has the merit of being among the simplest methods of project evaluation. Thus, NPV approaches the time value of money as a factor, by discounting future cash flows to their present equivalent. The division of the risk-adjusted discounted concept into mutually exclusive pairs builds the basics of a more precise determination of a project's profitability over time, at the same time teaching investors to make decisions. In addition, NPV utilizes a totalling approach through which it considers all the finances from the project both the income and the expense. With this comprehensive view, the decision-makers grasp the full picture of the financial consequences and can make more reasonable decisions about funding allocation and projects.	Among the constraints it has, the main one is the fact that it brings with it the level of complications, that involve fine discount rate calculations and cash flow projections. Such complications might make NPV obscure to people who don't have financial qualifications, thereby lowering its usefulness to the decision-making process. Besides this, NPV is also highly subjective to the discount rate which is based on inception assumptions about the capital expense. Minor tweaks in these assumptions can have a dramatic effect on the result NPV figures so the emphasis should be on the detailed analysis of them and the final decision should be well-grounded on the data obtained. Consequently, even though the NPV framework is relatively comprehensive in figuring out investment projects, it remains subject to complication because, for a reliable result, assumptions

	should be observed.
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Non-Financial Factors

Managers today should consider both monetary measurements and non-monetary elements like ecological effect, local area commitment, and environmental change while assessing projects. Along with market requirements and competitive analysis, operational alignment with long-term objectives is essential. Consistency with regulations and guidelines is fundamental to keeping away from lawful issues and safeguarding notoriety. Throughout the project lifecycle, stakeholder management, efficient communication, and risk mitigation are crucial. Assessing ecological and social effects guarantees moral direction and manageability. Lastly, long-term success is ensured by adapting to shifting circumstances and incorporating adaptable strategies.

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