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Executive Summary

General Electronics is experiencing a shrinking income, an increasing loss and a poor liquidity position. Ratio and the Altman Z-Score demonstrate financial problems but short-term low default. Reform to the working capital, restructuring and selective long-term funding are applicable in order to normalise operations, enhance cash flow and facilitate a viable turnaround. Analysing three strategic financial restructuring for General Electronics shows a significant impact on shareholders' value as well as its operational flexibility and capital structure. Identifying feasibility of three projects options has been done by applying NPV, IRR, ARR, PI and PBP, shows Project C is a suitable option.

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Introduction

General Electronics is being plunged into deep monetary turmoil, leading to poor profitability, poor liquidity, increased leverage and low operations efficiency. This report provides a thorough financial diagnosis, determine the default risk, and develop a realistic turnaround plan that will regain the healthy condition and competitive ability in the long-term. This report has measured five years of financial performance and performance of working capital, restructuring alternatives, and investment opportunities. With the help of ratio analysis, failure prediction models, and capital budgeting, the intention is to suggest sound financial, globally expandable, and ethically correct measures to help the company recover in a sustainable manner.

1. Financial Health Check

1.1 General Electronics' Financial Statement Analysis

Income Statement

General Electronics has a terrible deterioration of its financial performance during the period of 2020 to 2024. The net sales have been decreasing steadily, with a decline of £614,680 million in 2020 to £394,879 million in 2024 due to declining market demands and competitiveness. Gross profit has drastically shrunk as operations costs are high as income statements are the data sources that help analysing financial performance (Atukalp, 2023). In comparison, the net income declined to £98,238 million of heavy losses in 2023 and £24,029 in 2024, as compared to 2020 when the net income registered £38,572 million profit. Interest rates went high meaning that there was an increment in the debt pressure. The value in terms of earnings per share became negative, with the shareholders experiencing a lot of erosion. Overall, the income statement depicts deteriorating profitability and financial hardship.

Balance Sheet

There is a declining balance sheet of General Electronics between 2020 and 2024. There was a significant decrease in total assets which are £510,290 million in 2020 and £323,354 million in 2024 due to decreasing inventories, receivables and property, plant, and equipment. Balance sheet optimization is a strategic approach in financial

management (Abiola-Adams *et al.*, 2021). The liabilities are also high as evidenced by the payables and lines of credit, which are exposing the company to short-term stresses. The total liabilities declined but primarily through reduction in operations and not by enhanced solvency. The shareholders equity has deteriorated by £313,301 million to £153,105 million indicating accrued heavy treasury stock. On the whole, the balance sheet shows a reduction in the asset base, poor liquidity, and increasing financial risk, and shareholder value which is diminishing.

Cash Flow Statement

The cash flow statement of General Electronics indicates that there has been a continuous liquidity strain. In 2024, the operating activities were improved as £14,822 million was realised but again this was mainly because of favourable working capital adjustments and not profitability with net losses being high. Investing activities were always negative indicating continued expenditure intangibles as it investing activities includes the acquisition and disposal of non-current assets (Corporatefinanceinstitute, 2025). Cash flows financing became negative in 2023 and 2024, as the repayment on credit lines became high, and a decrease in equity inflows took place. Sir, cash reserves decreased as of £57,153 million 2020 compared to £26,783 million 2024. Therefore, the cash flows indicate the poor internal cash generation, great dependency on financing and worsening liquidity.

1.2 Performing Ratio Analysis

"General Electronics						
Financial Ratio Calculation						
"Profitability Ratios"	Formula	2024	2023	2022	2021	2020
	"Net Profit / Revenue"	-£	-£	£	£	£
"Net Profit"		24,029	98,238	407	5,301	8,572

		£ 3,9	£ 4,2	£ 5,4	£ 6,0	£ 6,1
"Revenue"		4,879	0,457	2,751	1,602	4,680
			-			
Net Profit Margin		-6.09%	23.36%	0.07%	0.88%	6.28%
	"Net Profit /	-£	-£			
	Shareholder			£	£	£
"Net Profit"	s' Equity"	24,029	98,238	407	5,301	8,572
Shareholders'		£ 1,5	£ 1,7	£ 2,6	£ 2,7	£ 3,1
Equity		3,105	8,920	8,406	5,949	3,301
Return on Equity		-	-			
(ROE)		15.69%	54.91%	0.15%	1.92%	12.31%
"Liquidity Ratios"	Formula	2024	2023	2022	2021	2020
	"Current					£
	Assets /					
	Current	£ 2,4	£ 2,5	£ 3,3	£ 3,3	3,26,84
"Current Assets"	Liabilities"	2,494	8,851	8,040	7,146	3
		£ 1,5	£ 1,6	£ 2,1	£ 2,1	£ 1,7
"Current Liabilities"		8,291	1,148	6,473	6,787	9,513
Current Ratio		1.53	1.61	1.56	1.56	1.82

		"Current Assets -	£ 2,4	£ 2,5	£ 3,3	£ 3,3	£ 3,2
"Current Assets"		Inventory /	2,494	8,851	8,040	7,146	6,843
		Current Liabilities"					
			£ 7	£ 8	£ 1,4	£ 1,3	£ 1,2
"Inventories"			9,355	8,273	0,181	4,469	0,430
			£ 1,5	£ 1,6	£ 2,1	£ 2,1	£ 1,7
"Current Liabilities"			8,291	1,148	6,473	6,787	9,513
Quick Ratio			1.03	1.06	0.91	0.93	1.15
"Efficiency Ratios"		Formula	2024	2023	2022	2021	2020
		"Cost of					
		Goods Sold	£ 2,8	£ 3,2	£ 3,9	£ 4,2	£ 4,3
Cost of Goods Sold		/ Average	0,885	2,897	0,459	8,586	8,424
		Inventory"					
			£ 8	£ 1,1	£ 1,3	£ 1,2	£ 1,2
Average Inventory			3,814	4,227	7,325	7,450	0,430
Inventory Turnover Ratio			3.35	2.83	2.84	3.36	3.64
		"(Average					
Average Trade	Trade	Trade	£ 1,1	£ 1,1	£ 1,2	£ 1,2	£ 1,2
Receivables		Receivables	3,389	2,471	0,781	9,324	9,433

	/ Credit Sales) * 365"	£				
		£ 3,9	4,20,45	£ 5,4	£ 6,0	£ 6,1
Credit Sales		4,879	7	2,751	1,602	4,680
Receivables						
Collection Period		105	98	81	78	77
"Gearing Ratios"						
	Formula	2024	2023	2022	2021	2020
		£				
	"Total Debt / Total Equity"	£ 1,7	£ 1,7	2,35,75	£ 2,3	£ 1,9
		0,249	6,952	7	4,399	6,989
Total Debt						
		£ 1,5	£ 1,7	£ 2,6	£ 2,7	£ 3,1
		3,105	8,920	8,406	5,949	3,301
Total Equity						
Debt-to-Equity Ratio						
		1.11	0.99	0.88	0.85	0.63
	"EBIT / Finance Costs"	-£	-£			
				£ 1	£ 2	£ 3
EBIT		15,297	85,301	4,548	3,253	7,267
		£	£	£	£	£
		3,361	4,332	2,200	566	1,422
Finance Costs						
Interest Coverage Ratio						
		-4.55	-19.69	6.61	41.08	26.21

"Cash Flow Ratios"		Formula	2024	2023	2022	2021	2020
Operating Flow	Cash	"Operating Cash Flow / Current Liabilities"	£ 1 4,822	£ 2 5,190	£ 1 0,926	£ 4 0,283	£ 7 3,392
			£ 1,5 8,291	£ 1,6 1,148	£ 2,1 6,473	£ 2,1 6,787	£ 1,7 9,513
Operating Cash Flow Ratio			0.09	0.16	0.05	0.19	0.41
Operating Flow	Cash	"Operating Cash Flow / Total Assets"	£ 1 4,822	£ 2 5,190	£ 1 0,926	£ 4 0,283	£ 7 3,392
			£ 3,2 3,354	£ 3,5 5,872	£ 5,0 4,163	£ 5,1 0,348	£ 5,1 0,290
Cash Return on Assets (CROA)			0.05	0.07	0.02	0.08	0.14"

Table 1: General Electronics Ratios

(Source: Self-Calculated)

The financial analysis indicates that General Electronics is deteriorating financially. Profitability is destroyed, the net profit margins deteriorated not only in 2020, when they exceeded 6%, but also suffered great losses in 2023 and 2024. ROE is a reflection of this doldrums and becomes negative. Higher current ratio the better, as a very high current ratio is not necessarily good for a firm (Accaglobal, 2025). Efficiency has been eroded, where receivables days have increased to 105, meaning that the

collections are slower. The gearing has gone up, and the debt-to-equity ratio has risen to 1.11, which brings in a financial risk. Cash flow ratios indicate decreasing internal cash flow and decreasing the efficiency of assets. Overall, General Electronics is characterized by the deteriorating profitability, the increasing leverage and deteriorating operational efficiency.

1.3 Identification of Trends, Strengths and Threats

Trends

General Electronics appears in terrible financial conditions. In 2020 to 2024, revenue decreased to £394,879 million to £614,680 million, whereas net income dropped to £24,029 million to £38,572 million profit respectively. ROE went down to negative 15.69% as compared to 12.31%. The thematic evolution analysis is a process to find the “evolutionary relationships among evolution paths, and trends” (Syed and Bawazir, 2021). The cash declined to £26,783 million and total assets to £323,354 million as compared to £57,153 million and £510,290 million respectively. The debt-to-equity increased to 1.11 with an increased leverage.

Strengths

Liquidity is still a little below minimum, although it is decreasing. The current ratio is maintained at 1.53 to 1.82 years later, whereas the quick ratio is kept at almost 1. Inventory turnover is steady and is at 3.3-3.6 times. Cash flow is positive except in the year 2023 and £14,822 million cash flow is generated in 2024.

Threats

The key risks are growing losses, where this has gone up to £98,238 million loss in the year 2023 and also the reducing equity since it was £313,301 million in 2020 reducing to £153,105 million in 2024. In terms of liquidity threat, the \$9.6 trillion currency market should hold the necessary “liquidity and capital buffers” (Reuters, 2025). Liquidity and slow receivable recovery causes the cash flow pressure. The increasing rate of reduction in assets and profitability endangers long-term sustainability and raises the risk of default.

1.4 Using Altman Z-Score to Assess Default Risk

Calculation of Altman Z-Score			
Formula: $Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$	Details	2024	2023
	"X1: WC / Total Assets"	0.26	0.27
	"X2: Retained Earnings / Total Assets"	0.64	0.65
	"X3: EBIT / Total Assets"	-0.05	-0.24
	"X4: MVE / Total Liabilities"	6.49	6.27
	"X5: Sales / Total Assets"	1.22	1.18
	Z-Score of 2024	6.18	
	Z-Score of 2023	5.39	

Table 2: Altman Z-Score Calculation

(Source: Self-Calculated)

“Altman Z-Score” indicates that the General Electronics company is in a low-risk zone of default at the moment. “Altman’s Z-Score model” is a numerical measurement that is used to “predict the chances of a company” (Corporatefinanceinstitute, 2025). It is displayed that the score had gone up to 6.18 in 2024 and by this point, it is well above the distress level of 1.80 and much above the benchmark level of 3. Though the risk on the short-term bankruptcy is not high, the continued losses can decrease the Z-Score in the long-run and predispose the company toward bankruptcy

2. Working Capital Management Analysis

2.1 Cash Operating Cycle Assessment

“General Electronics					
Cash Operating Cycle (COC)					
Particulars	2024	2023	2022	2021	2020
	£	£	£	£	£
	83,	1,1	1,3	1,2	1,2
Average Inventory	814	4,227	7,325	7,450	0,430
	£	£	£	£	£
	2,8	3,2	3,9	4,2	4,3
Cost of Sales	0,885	2,897	0,459	8,586	8,424
Inventory Days	109	129	128	109	100
	£	£	£	£	£
Average Accounts Receivable	1,1	1,1	1,2	1,2	1,2
	3,389	2,471	0,781	9,324	9,433
	£	£	£	£	£
	3,9	4,2	5,4	6,0	6,1
Net Sales	4,879	0,457	2,751	1,602	4,680
Receivable Days	105	98	81	78	77
	£	£	£	£	£
Average Accounts Payable	64,	64,	82,	87,	83,
	532	203	040	968	229
	£	£	£	£	£
	2,8	3,2	3,9	4,2	4,3
Cost of Sales	0,885	2,897	0,459	8,586	8,424

Payable Days	84	73	77	75	69
Formula	"Inventory Days + Receivable Days - Payable Days"				
Cash Operating					
Cycle (COC)	130	154	133	112	108"

Table 3: COC for Risk Detection

(Source: Self-Calculated)

In the case of General Electronics, the cash operating cycle has been deteriorating with the span of five years implying that there is a rising delay in the ability of the working capital to turn into cash. The cycle has risen up to 130 days in 2024 as compared to 108 days in 2020. The inventory days went up to 109, which means that stock movement was sluggish, and receivable days went up to 105, which implies that there was not such good credit control and delayed customer payments. The “WCF– performance relationship” in organisations with extended CCC is more sensitive compared (Mahmood *et al.*, 2022). Even though the payable days were slightly improved, that is, 69 to 84, the improvement is not enough to counter the increase in inventory and receivable days. Overall, the lengthening cycle points out the deterioration of operations effectiveness, increased cash investment in working capital, and increased the strain on the liquidity within a short period.

2.2 Recommending Strategies to Improve Liquidity through Working Capital Reforms

To enhance liquidity status at General electronics, specific changes in inventory, receivables and payables will be required to ensure the reduction in the cash operating cycle and the enhancement of day-to-day cash status.

Strengthen Receivables Management

The number of days outstanding has grown by large as it was 77 days in 2020 and has reached 105 days in 2024 which implies late payments made by customers. The company must enforce more stringent credit-related policies such as tightening the credit checks, minimizing the credit terms and enacting the use of early-discounts.

Customers can build their business credit by establishing a “history of early payments” (Netsuite, 2022). There should be a special credit control department to pay close attention to accounts that show outstanding and make proactive follow-ups. Faster settlements can also be promoted by providing dynamic discounting, and at the same time, customer relationships preserved.

Reduce Inventory Levels

Slower turnover was indicated by a timeframe shift in the inventory days of 100 to 109. The company needs to transition to a demand-based inventory planning that is based on real-time sales. The excess inventory can be minimised with the adoption of lean inventory methods where safety-stock optimisation and ABC classification allow avoiding the shortage of products (Demiray *et al.*, 2024). A solution that can also be used to enhance stock efficiency and lower carrying costs is the implementation of vendor-managed inventory with key suppliers. Also, the gradual elimination of outdated products and enhanced accuracy of forecasting will contribute to preventing accumulation of non-fast selling products.

Optimise Payables Management

The payable days have even improved to 84 as opposed to 69 with some improvement in negotiation leverage. The company must also enforce better supplier conditions through negotiating longer terms of payment, bulk-buy or negotiated timetables of payment. Caution should be observed to avoid ruining relationships with suppliers, as corporate cash is more valuable and external debt (Jpmorgan, 2023). Suppliers can get early payment using supply chain financing or reverse factoring and the company will have the advantage of enjoying longer payment terms without liquidity discomfort.

Improve Cash Flow Forecasting

Liquidity planning will be improved due to proper short-term forecasting. The use of rolling cash flow projection and analysis will aid in finding the cash gaps early and controlling working capital early. The connection of the treasury system to sales and procurement data will enhance visibility.

Strengthen Internal Controls

Accountability should be checked monthly by regular audits, performance dashboards and key performance indicators like days sales outstanding, inventory turnover in days, and payable days once a month. However, broadly speaking, integrated reform in the system of receivables, inventory and payables will greatly reduce the cash operating cycle, enhance the liquidity and maintain the stability of operations.

2.3 Comparing Short-term and Long-term Financing Options

General Electronics can use short and long-term financing options with various benefits and drawbacks considering its liquidity stressors and excessive debts.

Short-term financing

Bank overdrafts, trade credit and short-term loans are the short-term funding options. They offer fast funds access to “working capital requirements”, “boost to long-term investment” and “overcome seasonal fluctuations” (Nicolas, 2022). They are not as costly to get started and are more flexible and are associated with higher interest rates, risks of refinancing and reliance on the confidence of the lender. In the case of General Electronics, the increasing finance cost and deteriorating cash flow point to the development of liquidity risk as a result of overdependence on short-term borrowing.

Long-term financing

Terms loans, corporate bonds, equity financing and long-term leases are some of the long term sources of financing. These are more stable, have set repayment dates and can have high investments or restructuring projects. This is because long term debt would typically incur lower interest rates as compared to short-term borrowing so there would be no immediate cash strain. It however, raises fixed requirements and potential higher leverage in the long run. Equity financing also provides undiluted permanent funds that are not subjected to repayment and influence “enterprise innovation activities” (Han and Gu, 2021). In the case of General Electronics, a longer-term financing could be better applied to strategic restructuring and investment and short-term financing could be used to finance the liquidity of operations. Therefore, this is a fine balance that should be adopted, minimising the level of short-term debt reliance and selective utilisation of long-term capital in improving financial stability.

3. Strategic Financial Restructuring Plan

3.1 Suggestion for financial restructuring

- ***Divestiture***

The term divestiture emphasises selling underperforming assets or product lines to enhance operational efficiency as well as maximising brand value. Divestiture involves removal of businesses, subsidiaries and divisions of an organisation through sale, spin or other corporate scope reduction (Feldman and Sakhartov, 2022). In the context of General Electronics, analysing business units which are not generating enough profit is crucial for reducing capital consumption, along with managerial efforts. More specifically, identifying low-margin profit generating product divisions is required to be focused by the management, considering last five years' returns. Selling non-core assets can bring opportunities to the company in generating immediate cash as well as reducing cost burden, apart from enabling it to refocus on business units that generate high profit. For instance, at present, smart wearable technology and mobile accessories are famous among customers, while outdated electronics may not generate satisfactory revenue for General Electronics. Additionally, to reduce maintenance costs, stopping investment in unused warehouses located in high-cost countries is also important for the company. Thus, considering improvement in assets utilisation and business liquidity, divestiture strategy can be suggested to General Electronics.

- ***Merger***

Expanding business in an international market and ensuring success highly depends on effectiveness of an organisation to operate a business after the merger of a strategically aligned organisation. Valuing the concept of merger, ability of General Electronics to strengthen its position in the global market can be analysed by joining a company which has an efficient supply chain and a large customer base. Additionally, a merger can bring several opportunities for the company, like accessing new technology, expanding market, improving financial stability and others. Horizontal merger emphasises targeting a company from same industry, valuing fast realisation of profits as minimal integration is required for achieving market influence or

eliminating competition (Feldman and Hernandez, 2022). The company can merge with another consumer electronics company in terms of a horizontal merger to reduce competition. Moreover, a vertical merger can help to deal with price uncertainty as well as supply chain costs.

- ***Equity injection***

Bringing new capital into the company by issuing new shares is a common technique of financial restructuring in terms of equity injection. According to the viewpoint of Petutschnig and R nger (2022), increasing equity is possible through equity injection either from the owners or by using retained earnings. However, General Electronics can issue new shares to existing shareholders, private equity investors and strategic partners to gather capital for investing in profitable projects. More specifically, capital restructuring through equity injection has a significant impact on the company's business liquidity as it reduces debt, considering the high debt-to-equity position. Financial risk for the company under current gearing position has been analysed, for which injecting equity is essential in terms of providing long-term funding at a zero interest rate. Hence, improving investor confidence and raising funds for investing in digital transformation or modernising manufacturing plants is possible for General Electronics through equity injection.

3.2 Elaborating on restructuring impact

- ***Shareholder value***

Increasing shareholders' value by taking financial restructuring into account is possible, especially when sold assets are affecting business profitability. In addition, selling nonperforming assets can increase return on assets as well as return on equity, which can attract new investors, apart from bringing value for existing shareholders. It has been stated by Joshi (2022), restructuring emphasises redesigning capital structure of an organisation and improving operation and efficiency, which leads to shareholder wealth improvement. The direct impact of merger and equity injection on shareholders' value of General Electronics can also be analysed in terms of improving its performance in the current competitive era. Nevertheless, negative impact on shareholder value can be recorded if the merger has not been planned efficiently or

the cost of merger is high. Diluted ownership is one of the major concerns among existing shareholders if equity injection takes place, although long-term benefits can increase share price in the future.

- ***Debt structure***

The current debt structure of General Electronics represents a continuous introduction of debt to meet capital requirements, which is quite risky in terms of managing business solvency and profitability. Merger can support a company to achieve economies of scale, like opportunity to buy a bulk of raw materials, which is effective in reducing cost, apart from enhancing ability to invest in assets (CFI, 2025). Bringing cash and enhancing ability to repay loans can be possible through divestiture, while a lower debt of a partner company (merger) is supportive of improving debt structure. More specifically, the debt-to-equity ratio of General Electronics can be reduced by keeping a strong cash flow, partnering with a company having low debt and introducing equity capital/financing. The high impact of equity injection on debt structure can be recorded because it can reduce General Electronics' dependency on debt borrowing.

- ***Operational flexibility***

Change in market conditions in the global consumer electronics industry indicates the importance for General Electronics to adjust operations efficiently. Application of divestiture strategy reflects operational flexibility of the company by removing unprofitable business units, while efficiency in decision-making can be recorded with minimal complex business units. However, negative impact on operational growth due to divestment/divestiture has been argued by Batsakis *et al.* (2024), valuing markets which have faster growth than home market of a company. On the contrary, both positive and negative impacts of merger can be analysed, depending on General Electronics' integration and process management technique. A successful integration can benefit the company by sharing technology and combining supply chains, but inefficiency in handling mergers strategically can slow down business operations. Furthermore, equity injection can provide sufficient funds to General Electronics to invest in technological upgrades and business automation in terms of enhancing flexibility as well as responding strategically to external challenges like currency fluctuations.

3.3 International and ethical considerations

Influence of restructuring on long-term stability and business reputation in the global market for General Electronics reflects that taxation, currency risk, inflation and CSR are crucial factors. Tax rules of different countries are required to be considered by the company before implementing a divestiture strategy, such as selling assets, while a merger in a low-tax country can reduce the tax burden. Ullah and Rashid (2024), highlighted that in mergers and acquisitions under foreign direct investment, a low tax rate has a positive and significant impact compared to high tax rates. Furthermore, currency risk is high for General Electronics, and it can affect its restructuring plan, because sudden currency fluctuation can reduce profitability chances.

Similarly, rise in inflation can create difficulties in maintaining operational efficiency because of increasing production and labour costs, while supplier diversification is essential. During restructuring, General Electronics is required to include inflation and other macroeconomic factors into consideration to predict future cash flows as well as to ensure accurate asset valuation. Based on the views of Siltaloppi *et al.* (2021), adopting a peripheral approach to CSR emphasises separating activities and initiatives of an organisation, focusing on social issues, apart from satisfying external expectations. The company needs to be more focused on prioritising CSR, like protecting employee rights, following fair labour standards and maintaining environmental responsibilities to bring value for environment and society.

4. Investment Appraisal and Capital Budgeting

4.1 Selection between three projects

“Project A		Cumulative Cash Flow (million)	Discounted factors	Discounted cashflow (million)
Years	5			
Discount rate	10%			

0	- £ 40	-£ 40	1	- £ 40
1	£ 10	- £ 30	0.91	£ 9.09
2	£ 12	-£ 18	0.83	£ 9.92
3	£ 14	- £ 4	0.75	£ 10.52
4	£ 10	£ 6	0.68	£ 6.83
5	£ 8	£ 14	0.62	£ 4.97
Depreciation (Initial investment/pro ject life)	£ 8			
Average annual profit (average annual flow - depreciation)	£ 2. 8			

Average investment (Initial investment/2)	£ 20			
Accounting rate of return (ARR)	14.0%			
NPV	£ 1.32			
PBP	3.40			
IRR	11.3%			
PI	1.03			

Table 4: Project A

(Source: Self-Calculated)

"Project B		Cumulative Cash Flow (million)	Discount factors	Discounted cashflow (million)
Years	5 years			
Discount rate	10%			
0	-£ 30	- £ 30	1	- £ 30

1	£ 6	-£ 24	0.91	£ 5.45
2	£ 6	- £ 18	0.83	£ 4.96
3	£ 6	- £ 12	0.75	£ 4.51
4	£ 6	- £ 6	0.68	£ 4.10
5	£ 6	£ -	0.62	£ 3.73
Depreciation (Initial investment/pr oject life)	£ 6			
Average annual profit (average annual flow - depreciation)	£ -			
Average investment (Initial investment/2)	£ 15			

Accounting rate of return (ARR)	0.0%			
NPV	- £ 7.26			
PBP	5.0			
IRR	0.0%			
PI	0.76"			

Table 5: Project B

(Source: Self-Calculated)

"Project C		Cumulative Cash Flow (million)	Discount ed factors	Discounted cashflow (million)
Years	5 years			
Discount rate	10%			
0	- £ 50	- £ 50	1	- £ 50
1	£ 5	- £ 45	0.91	£ 4.55
2	£ 10	- £ 35	0.83	£ 8.26

3	£ 20	- £ 15	0.75	£ 15.03
4	£ 25	£ 10	0.68	£ 17.08
5	£ 15	£ 25	0.62	£ 9.31
Depreciation (Initial investment/proj ect life)	£ 10			
Average annual profit (average annual flow - depreciation)	£ 5.0			
Average investment (Initial investment/2)	£ 25			
Accounting rate of return (ARR)	20.0%			
NPV	£ 4.2 3			

PBP	3.60			
IRR	12.7%			
PI	1.08"			

Table 6: Project C

(Source: Self-Calculated)

Interpretation of overall findings:

Application of investment appraisal methods under both discounting and non-discounting factors has been considered to suggest the most profitable investment option. However, analysing the outcome of Project A shows a positive impact on General Electronics' financial performance in terms of a return higher than cost of capital. It has been argued by Özekenci and Düzakın (2023), that IRR equates initial cash outflow to the expected net cash inflows at a discounted value. More specifically, IRR of the project is valued at 11.3% while its ARR is 14%, showing a strong profitability chance for the company. The PBP of 3.4 years reflects the project's ability to generate returns within the projected period of 5 years. Considering the outcome of Project B, profitability for the company by rejecting the option can be recorded as it generates a negative NPV worth £-7.26 million, with PI 0.76. As mentioned by Shahriar *et al.* (2021), if NPV shows a negative value, then an organisation is not required to pursue this project. Furthermore, Project B shows a constant cash flow of £6 million every year, which means it will take the whole projected period to cover the initial investment, thus, zero return.

Comparing three investment options based on the appraisal techniques shows high profitability if General Electronics invest in Project C. In addition, the project has a high NPV, worth £4.23 million, while its IRR and ARR are 12.7% and 20%, respectively. Although Project C has a high initial investment compared to the other two projects, a comparison can be drawn based on PI, which is 1.08. A high PI reflects a project's attractiveness and is more likely to be pursued, while an outcome greater than 1 indicates benefits to accept (Wallstreetprep, 2025). Results of three projects highlight

that accepting Project C is a suitable option for General Electronics in order to enhance profitability and liquidity chances.

4.2 Capital rationing and final investment recommendation

	"Discou nted factors		Discounted cashflow (million)		Discounted cashflow (million)		Discounted cashflow (million)
		Proj ect A	Project A	Proj ect B	Project B	Proj ect C	Project C
Disco unt rate		10%		10%		10%	
0	1.00	-£ 60	- £ 60.00	-£ 60	- £ 60.00	-£ 60	- £ 60.00
1	0.91	£ 10	£ 9.09	£ 6	£ 5.45	£ 5	£ 4.55
2	0.83	£ 12	£ 9.92	£ 6	£ 4.96	£ 10	£ 8.26
3	0.75	£ 14	£ 10.52	£ 6	£ 4.51	£ 20	£ 15.03
4	0.68	£ 10	£ 6.83	£ 6	£ 4.10	£ 25	£ 17.08

		£	£	£	£	£	£
5	0.62	8	4.97	6	3.73	15	9.31
NPV			- £ 18.68		- £ 37.26		- £ 5.77
IRR			-4%		-19%		7%
PI			0.69		0.38		0.90"

Table 7: Projects' feasibility under capital rationing

(Source: Self-Calculated)

Capital rationing is a valuable practice for General Electronics to understand the highly profitable investment option, considering limited resource allocation. The capital rationing of £60 million has been applied for three investment options, valuing the projected cash inflows across the years, which shows the ability of Project C to create a positive impact on the company's financial performance. Based on the views of Sospeter and Awuzie (2024), NPV and IRR provide a comprehensive and accurate outcome in determining a project's future cash flows. However, only discounted investment appraisal tools have been used to determine the best option to invest in, and the negative NPV shows that all projects will generate a positive future cash flow. Nevertheless, the positive IRR of 7% for Project C and PI closer to 1 shows it is worthwhile for the company to make an investment. More specifically, Project A will generate £-18.68 million NPV with -4% IRR, which is considerably lower than Project C. Taking the PI into account of Project B and Project C, minimal scope for General Electronics to maximise profitability chances if it pursues Project B has been analysed. Hence, it can be suggested that accepting Project C is highly profitable for General Electronics to strengthen its financial performance.

4.3 Justification for suggestion

Current financial performance of General Electronics shows a weak profitability and increasing debt position, which has a potential impact on its future performance. However, investing in the project will not only increase business liquidity by returning high cash but also ensure stable earnings across the projected period. As opined by Ndruru (2025), liquidity management is crucial for businesses to enhance financial stability apart from ensuring sufficient amounts to meet short-term obligations as well as eliminating bankruptcy risk. Taking the outcome of Project A, a stable cash flow can be recorded, but its total return is considerably lower than Project C. More specifically, selecting Project A may strengthen the liquidity position of the company but profitability will not be improved satisfactorily. In the context of cash flow volatility, Project B shows minimal risk, although the expected cash flows will not generate any return to General Electronics. Considering the cash flow volatility of Project C, a similarity to Project A can be recorded, which is manageable. For instance, a sudden reduction of cash flow to £15 million in 5th year can be managed if the company will reduce cost and maximise revenue. Thus, Project C is a beneficial option to General Electronics for ensuring long-term growth and also to improve financial performance.

Conclusion

Ratio analysis for General Electronics reflects difficulties in managing business profitability especially to generate net income and returning to its shareholders. Although the company has managed its liquidity position effectively, a major dependency on inventory can affect its future business performance. Moreover, the company's current capital structure is also not satisfactory because of its practice to include debt more than equity. Analysing three projects using different investment appraisal methods supports recommending investment in Project C in terms of highest NPV, IRR and others. The overall analysis support to conclude that to ensure a stable financial performance and strong liquidity, investing financial resources on highly profitable option is crucial.

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Calculation of Altman Z-Score			
	Details	2024	2023
Formula: $Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$	"X1: WC / Total Assets"	0.26	0.27
	"X2: Retained Earnings / Total Assets"	0.64	0.65
	"X3: EBIT / Total Assets"	-0.05	-0.24
	"X4: MVE / Total Liabilities"	6.49	6.27
	"X5: Sales / Total Assets"	1.22	1.18
	Z-Score of 2024	6.18	
	Z-Score of 2023		5.39

Altman Z-Score Model			
	Details	2024 Million	2023 Million
	"Working Capital"	£ 84,203	£ 97,703
	"Total Assets"	£ 3,23,354	£ 3,55,872
	"Retained Earnings"	£ 2,08,431	£ 2,32,460
	"EBIT (Operating Income)"	-£ 15,297	-£ 85,301
	"Market Value of Equity"	£ 11,05,403	£ 11,08,744
	"Total Liabilities"	£ 1,70,249	£ 1,76,952
	"Net Sales"	£ 3,94,879	£ 4,20,457