

FINANCE FOR STRATEGIC MANAGERS: SAMSUNG PLC

Student's Name

Course

Professor's Name

University

City

Date

Executive Summary

Strategic financial management primarily emphasizes detailed planning for allocating and administering financial resources for an organization to accomplish its objectives. It includes a business concern and returns revolving around providing shareholders with the greatest possible long-term value. This paper involves my research on evaluating the success of Samsung PLC to understand its strategic financial management chaired by Pietro Yon, a local businessman. The study will use financial data and other capital resources to understand how to maintain and improve the company's success. My first task will cover Samsung PLC's Financial Data and Strategic Decision Making; the second task will be an interpretation of the financial statements of Samsung PLC. I will also discuss the impact of 'creative accounting' techniques when making strategic decisions and cover the drawbacks of using ratio analysis as a tool for strategic decision-making and the significance of cash flow management when assessing capital expenditure requests. My final tasks will be to prepare a capital expenditure appraisal and analyze how the business plan will affect the organization's long-term goals and objectives in light of its potential implementation.

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Task 1 – Financial Data and Strategic Decision Making

Evaluation of the Sources of Financial Data

Samsung PLC's financial information can be found in its financial statements. The primary three records are the income statement, the balance sheet, and the cash flow statement. The company's profit and loss can be determined from the company's income statement, which is a record of the company's sales and expenses (Štangová and Víghová, 2016, p. 287). Therefore, Samsung's profitability can be deduced from the income statement. Štangová and Víghová (2016, p. 287) state that the balance sheet includes information regarding the assets owned by the company, the liabilities incurred by the company, as well as the equity that the company's shareholders hold. Therefore, the balance sheet helps understand the company's current financial status. Lastly, the cash flow statement gives extensive information regarding how the company manages its cash resources. Managing an optimal level of cash is essential to avoid problems with solvency and liquidity and carry out day-to-day activities, which is why cash flow is so crucial.

Financial Data and Information for Business Strategy

Collecting and analyzing financial data and information can assist Samsung in making decisions. The income statement is where information about the company's profitability may be found, offering information regarding the company's success for various periods (Ateboh-Briggs, 2013, p. 88). Understanding the success of the company over time can be accomplished by performing an analysis of the income statement for multiple years. The costs of overhead, stock holding, depreciation, and other expenses, as well as information on these and additional costs, can provide insight into how to boost profitability. For example, the decline in profitability may be attributable to increased expenses associated with owning shares. The income statement will

be able to reveal this information. As a result, the choice at the strategic level could be to implement just-in-time inventory control to cut down on the expense of retaining stock (Abdel-Maksoud et al., 2015). Similarly, the data from Samsung's income statement can be compared with other businesses' data to understand the competition better. As a result, the income statement can serve as a tool for inter- and intra-company monitoring (Ateboh-Briggs, 2013, p. 88). Similarly, the balance sheet offers yet another essential information regarding the company's financial position. When expanding or winding down its business activities, Samsung might benefit from knowing about its assets and liabilities. Therefore, the balance sheet gives information regarding the best time to buy new assets for an organization to continue earning the same amount or increase.

Analysis of the Risks related to Financial Business Decisions

Risk is an inevitable part of any new commercial endeavour, and efficient risk management is essential to running a successful firm (Park, 201, p174). As a result, for Samsung to maintain its current level of competitiveness, the administration will need to alter the stages of the risk regulator due to the dynamic nature of the current marketplace. The company can face market risk, which involves adverse effects resulting from changes in the market conditions in which it competes for customers and clients. Companies that have been successful and experienced significant revenue growth have been those who have been able to successfully establish the significant differences necessary to appear as a linked expenditure population (Štangová and Víghová (2016, p. 287). A company's exposure to risk when extending credit to customers is referred to as credit risk. It may also refer to the credit risk that the company has with its dealers. When Samsung offers its customers' financing options for purchases, it is taking a financial risk because there is always a chance that the customer will not be able to pay for the

item later. Liquidity risk covers asset liquidity and working capital liquidity risk. Asset liquidity refers to the relative ease with which a company can convert its assets into cash if there is an unforeseen and significant demand for additional cash flow. Through its actual asset management, Samsung has reduced the risk associated with its lack of liquid assets.

Methods applicable for appraising strategic capital expenditure projects and strategic direction

Consonance is one way that Samsung can employ for the evaluation of strategic capital expenditure projects and the establishment of strategic direction. To implement this technique properly, planners at Samsung will need to examine whole sets of market trends and then split those trends into individual trends. In this situation, a strategy must imply an adaptive reaction to the external environment in which Samsung operates and the significant changes in that environment. The second strategy involves maintaining uniformity across all the teams and units that make up Samsung Company, starting at the very top. It is the responsibility of the shareholders to determine whether or not the internal goals of profit maximization approaches are linked with the outward aims of the company to ensure the initiatives' viability. For instance, the sales and marketing departments must collaborate closely to succeed. The marketing team needs to adopt suggestions from the sales department, which should be driven by excellent communication to grasp the most productive project that can be carried out after conducting thorough market research. The unexpected growth following Samsung's expansion due to increasing demand might not arise if the company embraces the concept of efficient communication.

Task 2 – Discussion Paper

Interpretation of the Financial Statements of Samsung

The financial position of Samsung PLC is compared as of June 2022 and December 2021, as shown in figure 1 obtained from (Samsung, 2022).

Figure 1

Samsung Electronics Co., Ltd. and its subsidiaries					
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
(In millions of Korean won, in thousands of US dollars (Note 2.3))					
	Notes	June 30, 2022 KRW	December 31, 2021 KRW	June 30, 2022 USD	December 31, 2021 USD
Assets					
Current assets					
Cash and cash equivalents	3, 25	39,583,141	39,031,415	32,136,681	31,688,747
Short-term financial instruments	3, 25	84,428,822	81,708,986	68,545,903	66,337,728
Short-term financial assets at amortized cost	3, 25	1,253,196	3,369,034	1,017,442	2,735,245
Short-term financial assets at fair value through profit or loss	3, 4, 25	55,505	40,757	45,063	33,090
Trade receivables	3, 25	44,026,232	40,713,415	35,743,929	33,054,326
Non-trade receivables	3, 25	5,690,479	4,497,257	4,619,975	3,651,224
Prepaid expenses		3,141,748	2,336,252	2,550,716	1,896,752
Inventories	5	52,092,241	41,384,404	42,292,545	33,599,087
Other current assets	3, 25	6,016,127	5,081,665	4,884,361	4,125,692
		236,287,491	218,163,185	191,836,615	177,121,891
Non-current assets					
Financial assets at fair value through other comprehensive income	3, 4, 25	11,610,592	13,965,839	9,426,384	11,338,557
Financial assets at fair value through profit or loss	3, 4, 25	1,382,193	1,525,344	1,122,172	1,238,393
Investment in associates and joint ventures	6	10,382,938	8,932,251	8,429,679	7,251,898
Property, plant and equipment	7	154,254,576	149,928,539	125,235,897	121,723,683
Intangible assets	8	20,096,926	20,236,244	16,316,252	16,429,361
Net defined benefit assets	11	2,131,474	2,809,590	1,730,497	2,281,044
Deferred income tax assets		5,114,332	4,261,214	4,152,214	3,459,586
Other non-current assets	3, 25	6,780,128	6,798,952	5,504,637	5,519,921
		211,753,159	208,457,973	171,917,732	169,242,443
Total assets		448,040,650	426,621,158	363,754,347	346,364,334

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
		KRW	KRW	USD	USD
Liabilities and Equity					
Current liabilities					
Trade payables	3, 25	12,560,726	13,453,351	10,197,777	10,922,480
Short-term borrowings	3, 9, 25	12,989,188	13,687,793	10,545,636	11,112,818
Other payables	3, 25	13,659,750	15,584,866	11,090,051	12,653,010
Advances received	14	1,271,491	1,224,812	1,032,296	994,398
Withholdings	3, 25	762,316	1,294,052	618,908	1,050,612
Accrued expenses	3, 14, 25	27,243,067	27,928,031	22,118,047	22,674,154
Current income tax liabilities		6,067,653	6,749,149	4,926,194	5,479,486
Current portion of long-term liabilities	3, 9, 10, 25	952,811	1,329,968	773,566	1,079,772
Provisions	12	5,995,790	5,372,872	4,867,850	4,362,117
Other current liabilities	3, 14, 25	1,859,476	1,492,239	1,509,668	1,211,516
		83,362,268	88,117,133	67,679,993	71,540,363
Non-current liabilities					
Debentures	3, 10, 25	553,783	508,232	449,604	412,622
Long-term borrowings	3, 9, 25	2,943,208	2,866,156	2,389,526	2,326,969
Long-term other payables	3, 25	2,871,992	2,991,440	2,331,707	2,428,684
Net defined benefit liabilities	11	517,143	465,884	419,857	378,241
Deferred income tax liabilities		26,341,382	23,198,205	21,385,989	18,834,112
Long-term provisions	12	2,278,231	2,306,994	1,849,646	1,872,998
Other non-current liabilities	3, 14, 25	1,265,979	1,267,183	1,027,819	1,028,799
		36,771,718	33,604,094	29,854,148	27,282,425
Total liabilities		120,133,986	121,721,227	97,534,141	98,822,788

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
		KRW	KRW	USD	USD
Equity attributable to owners of the Company					
Preference shares	15	119,467	119,467	96,993	96,993
Ordinary shares	15	778,047	778,047	631,679	631,679
Share premium		4,403,893	4,403,893	3,575,424	3,575,424
Retained earnings	16	310,216,785	293,064,763	251,858,183	237,932,834
Other components of equity	17	3,312,420	(2,128,473)	2,689,281	(1,728,060)
		318,830,612	296,237,697	258,851,560	240,508,870
Non-controlling interests		9,076,052	8,662,234	7,368,646	7,032,676
Total equity		327,906,664	304,899,931	266,220,206	247,541,546
Total liabilities and equity					
		448,040,650	426,621,158	363,754,347	346,364,334

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2022	2021	2022	2021	2022	2021	2022	2021
		KRW	KRW	USD	USD	KRW	KRW	USD	USD
Revenue	26	77,203,607	63,671,585	62,679,911	51,693,559	154,985,105	129,060,088	125,828,997	104,781,047
Cost of sales	18	46,269,748	37,065,931	37,565,391	30,093,014	93,341,805	78,565,916	75,782,158	63,785,939
Gross profit		30,933,859	26,605,654	25,114,520	21,600,545	61,643,300	50,494,172	50,046,839	40,995,108
Selling and administrative expenses	18, 19	16,836,814	14,038,909	13,669,439	11,397,881	33,424,846	28,544,559	27,136,897	23,174,700
Operating profit	26	14,097,045	12,566,745	11,445,081	10,202,664	28,218,454	21,949,613	22,909,942	17,820,408
Other non-operating income	20	463,971	740,668	376,688	601,332	1,164,164	1,040,410	945,159	844,686
Other non-operating expense	20	600,393	876,896	487,446	711,933	1,053,503	1,201,136	855,315	975,177
Share of net profit of associates and joint ventures	6	259,229	187,487	210,462	152,217	491,706	335,006	399,205	271,984
Financial income	21	5,371,885	1,787,143	4,361,315	1,450,942	8,874,074	4,025,781	7,204,665	3,268,443
Financial expense	21	5,130,979	1,522,717	4,165,729	1,236,260	8,164,297	3,516,599	6,628,413	2,855,049
Profit before income tax		14,460,758	12,882,430	11,740,371	10,458,962	29,530,598	22,633,075	23,975,243	18,375,295
Income tax expense	22	3,361,953	3,247,944	2,729,495	2,636,935	7,107,165	5,856,904	5,770,151	4,755,091
Profit for the period		11,098,805	9,634,486	9,010,876	7,822,027	22,423,433	16,776,171	18,205,092	13,620,204
Profit attributable to:									
Owners of the parent company		10,954,515	9,450,676	8,893,730	7,672,796	22,083,609	16,543,462	17,929,196	13,431,273
Non-controlling interests		144,290	183,810	117,146	149,231	339,824	232,709	275,896	188,931
Earnings per share (in Korean won, in US dollars)	23								
- Basic		1,613	1,391	1.31	1.13	3,251	2,435	2.64	1.98
- Diluted		1,613	1,391	1.31	1.13	3,251	2,435	2.64	1.98

Samsung Electronics Co., Ltd. and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of Korean won, in thousands of US dollars (Note 2.3))

	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2022	2021	2022	2021	2022	2021	2022	2021
		KRW	KRW	USD	USD	KRW	KRW	USD	USD
Profit for the period		11,098,805	9,634,486	9,010,876	7,822,027	22,423,433	16,776,171	18,205,092	13,620,204
Other comprehensive income (loss)									
Items that will not be reclassified subsequently to profit or loss:									
Gain (Loss) on valuation of financial assets at fair value through other comprehensive income, net of tax	17	(1,195,764)	214,593	(970,814)	174,223	(1,799,944)	2,099,604	(1,461,335)	1,704,624
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	17	(15,627)	51,206	(12,687)	41,573	(11,875)	65,631	(9,641)	53,284
Remeasurement of net defined benefit liabilities (assets), net of tax	17	(34,481)	(21,191)	(27,994)	(17,205)	(97,369)	(53,930)	(79,052)	(43,785)
Items that may be reclassified subsequently to profit or loss:									
Share of other comprehensive income of associates and joint ventures, net of tax	17	295,429	95,580	239,852	77,599	34,846	41,659	28,291	33,822
Foreign currency translation, net of tax	17	4,919,214	1,012,987	3,993,802	822,423	7,356,247	3,470,252	5,972,375	2,817,421
Gain (loss) on valuation of cash flow hedge derivatives	17	1,567	(1,609)	1,272	(1,306)	7,909	27,476	6,420	22,307
Other comprehensive income for the period, net of tax		3,970,338	1,351,566	3,223,431	1,097,307	5,489,814	5,650,692	4,457,058	4,587,673
Total comprehensive income for the period		15,069,143	10,986,052	12,234,307	8,919,334	27,913,247	22,426,863	22,662,150	18,207,877
Comprehensive income attributable to:									
Owners of the parent company		14,890,896	10,845,374	12,089,591	8,805,121	27,498,046	22,066,553	22,325,058	17,915,349
Non-controlling interests		178,247	140,678	144,716	114,213	415,201	360,310	337,092	292,528

The income statement for the years 2022 and 2021 are presented one after the other in table 1 shows that Samsung Company's revenues were USD 7,822,027,000 in December 2021, which increased to USD 9,010,876,000 in June 2022, contributing to a 6.05% growth. The adjustment resulted in a rise in gross profit, which went from \$19,060,144 in 2021 to \$22,726,092 in 2022, representing a profit increase of 19.23% (Samsung, 2022). The effect directly resulted from a proportional increase in selling and administrative expenses and a significant reduction in other non-operating expenses. The data demonstrate an improvement in the state of the global economy due to the decreased cost of fuel and other products (Samsung, 2022). Comparable growth of 10.70% can be seen in Samsung's operational profits, which went from \$26,413,442 in December 2021 to \$29,240,672 in June 2022, two quarters. Compared to the 2021 financial year, the year 2022 two quarters saw a significant increase in profits, resulting in increased shareholder returns. The earnings per share (EPS) went from \$126,305 in 2021 to \$157,967 in 2022, representing a 25.07% increase in the value of stockholders' worth in earnings.

Based on the balance sheet documented for these two periods, it is evident that the total current assets increased by 13.31%, going from \$124,814,725 in 2021 to \$141,429,704 in 2022, representing an increase from the previous year's value of \$124,814,725. Cash on hand, short-term financial instruments, and trade receivables were the primary factors that led to this result (Samsung, 2022). The overall impact of higher selling and administrative expenses was canceled out by a considerable decrease in other non-operating expenses, which increased the company's profit from 2021 to 2022. From 2015 to 2016, Samsung saw a rise in the amount of money it made from selling electronic items. Additionally, Samsung saw a growth of 8.26% in its total assets, which went from a value of \$242,179,521 in 2021 to a value of \$262,174,324 in

2022. Short-term borrowings, other payables, and accrued expenses were the primary contributors to the 8.32% rise in total current liabilities in 2022, which drove the total current liabilities up from \$50,502,909 in 2021 to \$54,704,095 in 2022. Alternately, the total liabilities rose by 9.65%, going from \$63,119,716 in 2021 to 69,211,291 in 2022 (Samsung, 2022). This indicates that long-term borrowing was reduced from 2021 levels to 2022 levels, which is a positive sign showing that Samsung's financial performance was strong during this period.

Comparative analysis of Financial Data using Ratio analysis for Samsung PLC.

Samsung PLC ratios are shown in the table below

Figure 2

Ratios	2021	2022
ROCE= Earnings Before Interest and Taxes(Total assets-Current Liabilities)*100	=26,413,442/(242,179,521-50,502.909)*100 =13.78%	=29,240,672/(262,174,324-54,704,095)*100 =14.09%
Gross Profit Margin=Gross Profit/Revenue*100	=77,171,364/200,653,432 =38.46%	=81,589,030/201,866,745 =40%
Net Profit Margin=EBIT/Revenue	=26,413,442/200,653,482 =13.16%	=29,240,672/201,866,745 =14.49%
Asset Utilization=Revenue/Total Assets*100	=200,653,482/242,179,521 =82.85%	=201,866,745/262,174,324 =77.00%
Debt to Equity=Debt/Equity	=63,119,716/179,059,805 0.35	=69,211,291/192,963,033 =0.36

Fixed Asset	=200,653,482/117364,796	=201,866,745/120,744,620
Turnover=Revenue/Average	=1.71	=1.67
Fixed Asset		
Total Asset	=200,653,482/242,179,521	=201,866,745/262,174,324
Turnover=Revenue/Average	=0.83	=0.77
Total Asset		
Inventory Turnover=Cost of	=123,482,118/18,811,794	=120,277,715/18,353,503
Goods Sold/Average Inventories	=6.56	=6.55

The evaluation of ratios offers information on the pattern of Samsung's financial position and influences connected to measuring units for the company's overall performance (Abdel-Maksoud et al., 2015, p.342). The growth in profit may be seen in the table above, which shows that it went from 38.46% in 2021 to 40.52% in 2022. The rise in profit behaviour has a good impact on various metrics, including the return on capital. The return on capital employed in 2022 was 14.09%, an increase from 2021's figure of 13.78%. During the review period, it would be ideal if Samsung strengthened its position within the electronics industry. In 2022, the ROCE for the company stood at 14.09%, which was a figure that was greater than the average return on capital for the industry, which was 9.28%, as seen in figure 2 above. Despite this, the percentage of time assets were put to use fell from 82.85% in 2021 to 77.00% in 2022.

An upward trend can be seen with the debt-to-equity ratio, which climbed from 0.35 times in 2021 to 0.36 times in 2022, indicating that the corporation is dependent on debt. The degree to which a corporation puts its assets to use to generate revenue is the primary focus of the asset efficiency analysis. In 2022, Samsung's inventory turnover was somewhat lower than in

2021, coming in at 6.55 times, down from 6.56 times. This indicates that the organization's ability to offer products or services has declined (Abdel-Maksoud et al., 2015, p.342). Because of this, the government cannot afford to ignore these difficulties because they will ultimately result in a worse profitability index for Samsung.

Recommendations to Samsung PLC based on Financial Analysis

Samsung PLC needs to devise more effective strategies for increasing sales to raise the profitability index of the organization. As a result of a decrease in stock turnover, the executive agency of the company needs to engage in marketing the firm's products to increase the volume of sales of electronic items. In addition, the company's management needs to provide high-quality electronic goods to increase sales in this market. Based on the current ratio, the administration is responsible for ensuring that the ratio continues in an upward trend by decreasing dependency on short-term liabilities (Štangová and Víghová, 2016). To fulfill this responsibility, the management must ensure that the ratio continues to show an upward trend. On the other hand, the management of the company needs to continue strengthening the firm's liquidity by decreasing the volume of inventory that was previously held (Park, 2019, p.182). The effort guarantees that the progress effect is perceived in the cash ratio, which boosts the company's liquidity.

Task 3 – Information Leaflet

Impact of Creative Accounting techniques

Businesses may resort to various creative accounting techniques to guarantee that their financial information is presented most pleasantly. Creative accounting exploits the gaps and weaknesses existing in accounting rules to cover the organization's manipulations (Ismael, 2017, p. 285). Any manipulation of the financial accounts in the favour of management can produce

misleading information, which may result in the Samsung Company and its investors making decisions that are not in their best interests. There is a degree of creative accounting that can attract investors, settle urgent obligations, boost profitability, and accomplish other goals that could be advantageous for the functioning of Samsung over the long term (Ismael, 2017, p. 285). Nevertheless, regularly using these methods may result in information failure in the long run. Because there is a contradiction between the standard of accounting and the ethics of accounting practice, the dependability of the financial statement is being called into doubt.

Limitations of ratio analysis as a tool for strategic decision making

Ratio analysis is obtained by extracting financial information from the statements and visualizing the various situations the company is in concerning profitability, efficiency, solvency, and liquidity. Samsung is likely to encounter problems in which it must contend with both the benefits of ratio analysis and its limits (Rashid, 2018, p. 110). The adoption of new accounting policies by the organization is not something that is taken into consideration throughout the ratio analysis process. Even if such accounting procedures accurately reflect the financial statements, once ratio analysis has been performed, they become dissimilar. Hence, a strategic approach cannot be built based on data that cannot be compared to one another. Data from the past are employed as a source for the information used in ratio analysis. Although information from the past can help lay out trends for the organisation, it is not guaranteed that these measures are dependable enough to accurately represent the organisation's future performance to ensure effective strategic decision making.

Importance of cash flow management

The cash capital outlays are helpful for budgeting since they group the capital expenditures into acquisition and maintenance costs. The costs associated with maintaining

Samsung include operational licensing fees, the cost of maintenance, the cost of an annual lease, and other enormous charges. On the other hand, the acquisition costs include the upfront expenditures of any initial capital commitments. This information is used to plan expenses according to the timing of cash inflow, followed by the subsequent cash inflow. The cash flow assists in competitive advantage by procuring equipment that streamlines processes and decreases the overall cost of manufacturing (Noor and Abdalla, 2014, p. 101). This significantly lowers the total production costs. One good example is the transition from labour-intensive manual documentation to the cost-effective use of computers and information management systems. This makes it possible to lower operational expenses, offer products at affordable prices, and ultimately achieve a competitive advantage in the target markets.

Recommendation

Samsung can utilise financial statements to make company choices. The method is beneficial in the supply of information to business shareholders, such as data including expenses and positive or negative cash flow functions. Examples of such data include expenses, revenues, and liabilities. The analysis of such data can provide insight into the regions in which resources are utilized, the debt profile, carrying costs, and the levels of profitability. In addition, shareholders can use the financial statements to assist in the development of budgets for anticipated future spending. Samsung can also affect its management accounting system, which will allow Samsung to charge customers for the products they make properly. When applied correctly, the approach can be utilized to repay all production expenses via market sales of electronics. In contrast, break-even studies and cost-volume-profit reports give Samsung an idea of how much money it has to make to cover its fixed and variable costs.

Task 4 – Capital Expenditure Appraisal**Total Net Present Value of the Two Options**

	Old Machinery			New Machinery		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Sales	£5*90,000	£5*50,000	£5*30,000	£5*90,000	£5*50,000	£5*30,000
	=	=	=	=	=	=
	£450,000	£250,000	£150,000	£450,000	£250,000	£150,000
Less: Total Cost	(£277,000)	(£163,375)	(£104,841)	(£244,000)	(£142,000)	(£89,380)
Cash Flow	£173,000	£86,625	£45,159	£206,000	£108,000	£60,620
Profit after sale of Machinery at 3rd year end	£173,000	£86,625	£45,159	£206,000	£108,000	£60,620+\$75,000 =£135,620
Discount @15%	*0.870	*0.756	*0.658	*0.870	*0.756	*0.658
Present Value	£150,510	£65,488	£29,714	£179,220	£81,648	£89,238
Net Present Value at 3rd	£245,712			£350,106		

Net present value is for Old Machinery

(£260,000+245,714)

=£14,286

Net present value is for New Machinery

=£100,000+350,106

=£250,106

I have used £100,000 because the old machinery is worth £120,000 when traded on the new equipment.

The acquisition of new equipment will result in a decrease in direct labor expenses as well as variable costs, which is a significant factor that contributes to the growth of profits.

Similarly, the cost of repairing and maintaining older machinery is far higher than the expense of doing so for newer machinery. On the other hand, new machinery has a depreciation rate that is significantly higher than that of older models. The total cost per unit for the existing machine, taking into account all of the expenses, is £3.35 (1.8 plus 0.75 plus 0.45 plus 0.35), whereas the total cost per unit for the new machine, taking into account all of the expenses, is £3.25 (1.8 plus 0.6 plus 0.3 plus 0.55). As a result of the relatively low volume of goods moved, there has not been a substantial drop in costs, and this is because the number of units moved has not been exceptionally high. The output is just in the thousands, even though millions of output may have a significant impact. Even though the new machinery would have a scrap value of 75,000 pounds, this does not mean that it will be managed to sell after the three years have passed, as the case suggests that there will be no demand for the products generated for other technological reasons. Instead, this means that the scrap value of the new machinery will remain the same. According to this line of reasoning, it would be pointless to invest in brand-new machinery. However, when the net present value and discounted cash return figures are calculated, the ratios supply information indicating that investing in new machinery will benefit our overall profitability.

The impact of the business proposal on the strategic direction of the organisation.

The proposal will enable Samsung PLC to create values for the key recipients of the organization's goods and services, which are central to improving organizational performance. The business can use planning systems to perform well and be more likely to achieve its sales and profit growth objectives. This is in contrast to corporations that do not implement planning strategies. In light of this, Samsung's strategic direction will trend upward when the project's recommendations are implemented in its strategic planning and effective practice to give

superior performance. The proposal will enable Samsung to regain its footing and improves its company's capacity to anticipate shifts in its surrounding environment.

Conclusion

In conclusion, according to the analysis I have performed on Samsung PLC during the fiscal years 2021 and 2022, the company saw an increase in the amount of profit it generated. The rise in cash flow for Samsung directly resulted from improved liquidity. An investigation of the company's financial health revealed that it depended on its effective strategic operations to fund its activities. Therefore, it is a good idea for Samsung Company to purchase new machinery to increase its profit margins.

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