Business plan on the general motors corporation - gm

Business, Company

This paper highlights the financial performance of General Motors Corporation in the last five years (2007 to 2011). It includes the revenue and stock performance trends, the earnings per share, accounts receivables, liabilities, assets, and sources of capital over the period. Finally the paper compares the finances of GM with that of Ford.

Over the last five years, General Motors has significantly improved in its performance. Every performance indicator reflects a growth over this period. The company has also lowered its cost base and restructured the operations in various markets. This has resulted in an impressive reduction of expenses, especially the income tax expenses, which has consequently resulted in a bottom line growth. Despite the depressed industry conditions and the financial crisis during this period, GM has significantly improved the balance sheet, reduced the debt, and improved the funding level of the U. S. pension plans. Besides, the company has maintained strong liquidity position. It can therefore be stated, without any fear of contradiction, that the financial performance of General Motors has greatly improved over the last five years.

Although GM Car Corporation continued to register significant improvement in its performance, its revenue trend has been in the decline side. The company has continued to register declining revenue in sales for the fiscal years 2007 through 2009. It only registered an increase in sales volume in fiscal years 2010 and 2011. Its sales revenue for fiscal years 2007, 2008, 2009, 2010 and 2011 were $179. 98 billion, $148. 98 billion, $104. 59 billion, $135. 59 billion and $150. 28 billion respectively. Accordingly, the company’s revenue performance has been poor for the years 2007 through

2009. In 2008 fiscal year, for instance, its revenue declined by $31 billion which further declined by $44. 39 billion in 2009 financial year. However, the improved market conditions in 2010 and 2011 made it register improved sales revenue. For example, its revenue increased by $31 billion in fiscal 2010 and by $14. 69 billion in 2011. Overally, it registered poor sales revenue performance in fiscal years 2007 through 2009. An increase in sales revenue in 2010 and 2011 is attributed to favorable management of working capital and sales allowance payments.

The shares of the company's common stock started trading publicly on November 18, 2010 when the common stock was listed and began trading on both the New York Stock Exchange and Toronto Stock Exchange. Due to this, the analysis herein looks at the stock prices in the year 2010 and 2011. The stock price, as at November 18, 2010, was $34. 19. A steady increase was then experienced in the stock price, and the highest price was reached on January 7, 2011 when the stock traded at $38. 98. Thereafter, there has been a steady fall in the stock prices, and a record low of $19. 00 was recorded on June 19, 2011. The performance has since then improved, though, inconsistently to $23. 80 on April 13, 2012. The poor performance of the stock is attributed to the depressed industry conditions and the financial crisis during this period.

The company has been recording improved performance in its diluted earnings per share. In 2011, for instance, the diluted earnings per share was $4. 55. In 2010, its $135. 59 billion annual revenue and net income attributable to common stockholders of $4. 7 billion, made it record $2. 89 as the diluted earnings per share. In fiscal year 2009, the corporation's diluted

earnings per share was $167. 82. However, it recorded diluted earnings per share loss in 2008 and 2007, recording $53. 32 and $68. 45 respectively. Overally, over the past five years, the variation in diluted earnings per share is attributed to the method of computation. In the year 2010, the computed under the treasury method as opposed to the previous years' usage of average stock price based upon estimates of the fair value of its common stock. Be that as it may, the company appears to be efficiently using its capital to help it generate income. It has continued to record positive earnings per share over the past two years even though in fiscal 2007 and 2008 it recorded a loss in earnings per share. The loss was attributed to recession and world credit crisis which drove its car sales to depression. The company's balance sheet has remarkably improved over the last five years. There has been a remarkable increase in assets since 2008. In 2007, total assets amounted to $148. 88 billion. A drastic fall was experienced in 2008 when the assets dropped to $91. 04B. Since then, the assets have been increasing significantly year after another. In 2009, 2010, and 2011, the assets totaled to $136. 86B, $138. 9B and $144. 6B respectively. Liabilities have decreased significantly over this period. The company recorded the highest liabilities of $184. 363B in 2007. In 2008, liabilities decreased to $176. 387B; and in 2009 and 2010, it decreased further to $107. 9B and $101. 74B respectively. However, liabilities increased from the previous year to $105. 61B in 2011. The overall trend in the five year period shows a remarkable decrease in liabilities. The accounts receivables also show significant improvement over the period. In 2007, accounts receivables totaled to $9. 659B. 2008 and 2009 were characterized by a decrease in

accounts receivables of $7. 711B and $7. 52B respectively. However, there has been a great improvement of the accounts receivables to $8. 7B and $9. 95B in 2010 and 2011 respectively.

The GM's sources of capital encompass the preferred stock, common stock, retained earnings and non controlling interests. In essence, its main source of capital is equity. Its common stock equity over the past five years has been increasing significantly from negative $85. 56 billion in 2008 to the 2011's common stock of $26. 22 billion. This signifies that the company mainly funds its operations using either borrowed equity or owners' equity in form of retained earnings, common stock and preferred stock.

While comparing the two company's ratios, it is noticed that Ford Company performs better financially. Under margin analysis, Ford is better off than GM. While GM had 13. 03% gross margin in fiscal 2011, Ford registered 14. 49%. Ford also recorded a higher value of EBITDA margin of 9. 14%, higher to that of GM's 8. 76%. Besides, Ford appears to be using its assets effectively since it records higher values of fixed asset turnovers, amount receivables turnover and inventory turnovers. Its profitability is far much better than that of GM. For instance, in 2011, it registered a 280. 30% return on equity against GM's 24. 39%. Also, it effectively uses its capital to make it register better return on capital. Over the whole, Ford Motor Company has better financial performance that GM car motors.

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