



A Study on Role of Finance Managers in Modern Management

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Abstract: AstraZeneca, a UK based pharmaceutical company and the financial analysis is being done here. All important financial ratios are calculated in this assignment and financial projection is discussed in this assignment. The breakeven analysis and critical evaluation are present for proper understanding and discussion and conclusion are mentioned in this assignment. In this primarily, ratio calculation has been done that can help to analyze the performance of AstraZeneca. The performance analysis that has been done in this study is done based on 2019 to 2020 and 2020 to 2021 performance. Based on this identified performance management team can take effective decisions for business organization.

Keywords: Financial projection, Break-even analysis.

1. Introduction

AstraZeneca is a pharmaceutical manufacturing company in the UK and this company has very successful business growth. This company was founded on the 6th of April in 1999 and the headquarter is in Cambridge, United Kingdom. The current CEO of the company is Pascal Soriot and the stock price of this company is 8,276.00 GBX. It is a pharmaceutical and biotechnology company and financial analysis of this company is being done in this report. Financial projection and breakeven analysis are discussed about this company to analyze every important part of it. In this study the performance analysis is primarily done based on the annual report of this company and 2019,2020 and 2022 information used for performance analysis. Additionally breakeven point associated calculations are also done to find out the company's no profit no loss portion.

2. Objectives of the study

1. To know the performance analysis of annual report of this company.
2. To understand the business growth and stock price of this company.
3. To know financial projection and breakeven analysis of AY 2019,2020 and 2022.

3. Need for the study:

1. The company, AstraZeneca is using debt financing for getting their financial requirements, but if the company can use equity, they can earn more profit.
2. Equity financing is more effective because they can get their required capital and they don't have to give back their capital amount.
3. The equity financing is very useful for the company because for this, they don't need to give any security and the shareholders can get the amount according to the profit or loss of the company.

4. The effectiveness of equity is more than debt financing and for that, the company should use equity as its source of capital.

4.1 Financial data analysis

AstraZeneca	Column1	Column2
Ratio	Formula	Value
Profitability		
Gross profit	Gross profit/sales*100	80.09167074
Net profit	Net profit/sales*100	17.85325168
Operating profit	Operating profit/sales*100	18.02983056
Liquidity		
Current ratio	current assets/current liabilities	0.962426749
Quick Ratio	current asset-inventory/current liabilities	0.764268479
Cash ratio	cash + cash equivalents/current liabilities	0.385679815
Debt to asset ratio	total debt/total assets	0.181480316

Table 1: Financial Ratio Analysis

(Source: Derived from Excel)

This above table shows the financial ratio analysis of AstraZeneca and the profitability, liquidity, and debt to asset ratio are calculated. As opined by Cao *et al.* (2020), profitability ratios are gross profit ratio, net profit ratio, and operating ratio and according to the formula, all these ratios are calculated for proper analysis. Gross profit ratio of this company is 80.09167074, net profit ratio is 17.85325168 and operating profit is 18.02983056. Analysis of profitability ratio is very effective to understand the profit margin of the company and according to this ratio calculation, the company can make strategies to improve profitability rate. Profitability ratio indicates the efficiency of the company is earning profit from sales or revenues and this profitability ratio analysis must be done for understanding business growth.

Liquidity ratio is very important for financial ratio analysis because it helps to understand the current position of the company. As stated by Chen *et al.* (2019), current ratio, quick ratio, and cash ratio are the liquidity ratio and these ratios are properly calculated according to the formulas. Current ratio of this company is 0.962426749, quick ratio is 0.764268479, and cash ratio is 0.385679815. These ratios are very important to be calculated because it helps to understand the current position of current assets, liabilities, and cash. Liquidity ratio must be calculated by the company to gather information about the related factors and according to the condition of these factors, the company can make strategies for better results in business.

Profitability	2019	2020
Gross profit	776.16	79.82
Net profit	9.28	5.03
Operating profit	15.33	11.99
Liquidity		
Current ratio	0.96	0.86
Quick Ratio	0.78	0.68

Cash ratio	0.00	0.00
Debt to asset ratio	0.77	0.47

Ratio analysis 2019 to 2020

Profitability	2020	2021
Gross profit	79.82	80.09
Net profit	5.03	17.85
Operating profit	11.99	18.03
Liquidity		
Current ratio	0.86	0.96
Quick Ratio	0.68	0.76
Cash ratio	0.00	0.39
Debt to asset ratio	0.47	0.18

Ratio analysis 2020 to 2021

Debt to asset ratio has been calculated in this financial analysis because this ratio is effective to understand the position of debt of this company. As opined by Ding *et al.* (2019), a high amount of rate is very effective for earning profits, and for that, the company needs to understand the importance of calculating debt to asset ratio. The debt to asset ratio has been calculated according to the formula and the ratio is 0.181480316. This ratio is helpful to understand the debt and asset position and with the help of this value, the company can make plans for improvement of this company's financial position. The efficiency of this company can be increased with proper financial position and for that all these ratios must be calculated properly.

This profitability ratio, liquidity ratio, and debt to asset ratio are calculated with the amounts of AstraZeneca and the company can gather knowledge about the financial position. As opined by Ford *et al.* (2020), strategies for improvement can be made according to the financial analysis and that's very effective for this company to increase their business growth. This company should understand the importance of maintaining proper financial position and for that, these calculations must be done for better understanding.

4.2 Financial projection

Financial Projection	Column1	Column2
Particulars	2021	2022
Revenue	26617	27000
Cost of sales	5299	5200
Gross profit	21318	22000
Distribution cost	399	400
Research and development expense	5991	5500

Selling, general and administrative costs	11294	11200
Other operating income and expenses	1528	1500
Operating profit	5162	5500
Finance income	87	100
Finance expenses	1306	1100
Profit before tax	3916	4000
Tax	772	800
Profit for the period	3144	3200
Non-current assets	47185	48000
Current assets	19544	20000
Total assets	66729	68000
Current liabilities	20307	21000
Non-current liabilities	30784	31000
Total liabilities	51091	52000
Capital and reserve	15622	16000
Non-controlling interests	16	20
Total equity	15638	16020

Table 2: Financial Projection

(Source: Derived from Excel)

This above table shows the assumption of financial projection of AstraZeneca and this assumption has been done based on the amounts of the 2021 annual report. This is a successful pharmaceutical company and the financial items have high amounts and according to these values the projection is being made (Güner&Ekmekci, 2020).

The first part of the financial projection shows the income statement details and there are some items like revenue, cost of goods sold, gross profit, distribution cost, operating profit, net profit before tax and after tax, etc. The second of this projection has balance sheet details like non-current assets, current assets, total assets, non-current

liabilities, current liabilities, total liabilities, capital and receive, and total equity. As stated by Ha *et al.* (2019), these financial items are very important for maintaining a proper financial report, and for that, all details are mentioned in this projection. The values of 2021 are shown on the basis of assumption and it is assumed that the company can be more successful in the near future.

It is assumed that the company will increase the income and profit rate and all expenses will be reduced. As opined by Hot *et al.* (2020), these expected amounts are shown in this financial projection and according to the previous year's financial report, the company can improve its financial values. This projection indicates the increase of financial items and all amounts are based on assumptions and according to this projection analysis, the company can be more efficient in earning profits. Profitabilities like gross profit, operating profit, net profit can be improved by using proper strategies in the maintenance of financial transactions.

The expenses of the company should be reduced and for that, the company should understand the importance of using proper updated strategies and should run a business according to the strategy. As stated by Ledley *et al.* (2021), this company can be more successful with a proper understanding of the factors that are very effective in earning profits, and according to values, they should improve their financial transaction processes. This pharmaceutical company can become more successful with the increased values in incomes and profits and they should use strategies for minimizing the expenses.

4.3 Breakeven analysis

Breakeven analysis is helpful to identify the required amount of product to be sold for covering fixed and variable costs. The pharmaceutical company AstraZeneca needs to understand the importance of analysis of breakeven because this is effective in identifying the required amount of sold products. As opined by Levitan *et al.* (2019), the company should give attention to the number of sold products because according to the sales production can be done and from selling amounts the total cost should be covered. This analysis is helpful for maintaining proper production and sales according to the total cost of production.

Column1	Column2
Fixed cost	5000
Variable cost	170
Sales	420
Contribution	250
Breakeven	20

Table 3: Breakeven Analysis

(Source: Derived from Excel)

This above table shows the calculation of breakeven analysis and this calculation is being done according to the proper formula. The fixed cost of this company is assumed to be 5000 and the variable cost per unit is 170. The selling price of a product is 420 and with the help of these values, the contribution and breakeven are calculated. The formula of contribution is sales - variable cost and according to the formula, the value is $(420 - 170) = 250$. This amount is very important for calculation because for breakeven analysis of units this amount is required. The Formula of Breakeven analysis of units is fixed cost / contribution and with the help of this formula, the breakeven unit is $(5000 / 250) = 20$ units.

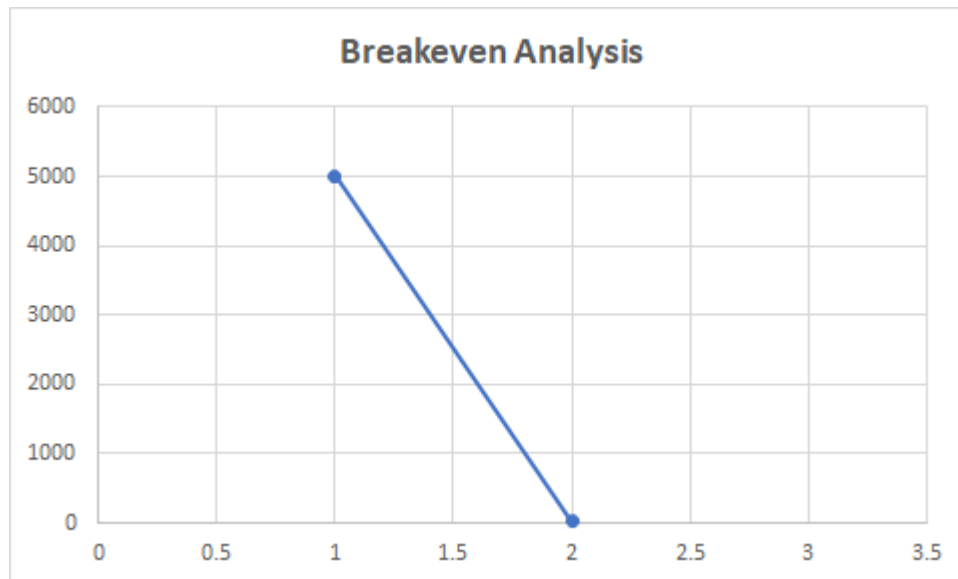


Figure 1: Breakeven Analysis

(Source: Derived from Excel)

This image indicates the graph of breakeven analysis and it refers to the fact that the company needs to sell 20 units of production to cover fixed and variable costs. The company needs to understand the importance of this analysis because this analysis is helpful for maintaining proper sales according to the costs of production (Li *et al* 2019).

Breakeven analysis is very useful to know the proper unit of sales for covering their costs and according to the formula, the company should calculate this unit for sales. This pharmaceutical company deals with medicines and medical-related items and for that they have to cost a huge amount in production. As stated by Maria *et al* (2021), this breakeven analysis is efficient enough to calculate the units to get back the production cost and this is very important because, with this companies can invest more in more production. The high production rate can be very useful for maintaining their required units of sales and the company can earn more profit.

The proper analysis of breakeven units is very important and effective because this calculation is helpful in understanding the required unit for sales and for that companies should maintain this. As opined by Martin *et al* (2019), this breakeven analysis can be helpful to measure the number of sales for earning a good amount of profit and all these calculations should be done according to the formula. This analysis must be maintained properly for understanding the proper sales unit and this is effective in covering the production cost and earning more profit. This calculation of breakeven analysis is related to the production cost and the sales amount and with these items, every company can measure their breakeven unit. AstraZeneca needs to sell 20 units to cover their production costs and this calculation is being done according to the formula of breakeven. This breakeven analysis can be helpful for increasing business growth and that growth is very effective for every company.

4.4 Critical evaluation of main sources

Every company needs a proper source of finance because with these financial sources they can run their business smoothly. This company has 9 relationship banks for providing their financial resources and they have \$4.1 billion of committed credit facilities. As stated by Mulinari&Ozieranski, (2019), it is using debt investors for running their business properly, and for that, they have to pay an amount to the banks for these credit facilities. This debt facility has some advantages and disadvantages and these are:

5 Suggestions

1. Debt equity has some facilities like ownership, control, tax deduction, etc, and these facilities are useful for the company in running the business.
2. The company owner doesn't need other's permission to make any important decisions for the company and they can reduce the amount of tax with this debt financing.
3. These issues have to be faced by the company and for that, this analysis of advantages and disadvantages must be done before choosing a proper finance source.
4. Equity has some facilities as a source of finance, because the shareholders will take their share of profit on the basis of total earnings.
5. The efficiency of equity is more than debt financing because these equity shares can be issued without any security.
6. The shareholders can purchase the shares on the basis of share prices and no security is needed for issuing equity shares.
7. Debt equity needs collateral security and on the basis of the security, they can get their capital amount.
8. Equity finance has disadvantages, like the need for permission to taking decisions and there are so many owners in the company.
9. Any decision of the company has to be taken by all the shareholders and they control all the transactions or financial decisions about the business growth.
10. The company should consider equity finance as its source of capital because there are many facilities that aren't present in the debt financing process.
11. Debt finance can be the reason for bankruptcy because they have to be paid the total debt amount even if they are facing losses in their business.
12. Debt finance can be a problem because sometimes lenders do not provide the required amount of capital, they need for business expansion.

6. Conclusion

This assignment is very effective in understanding the importance of choosing proper financial sources because it can reflect an impact on business growth. The financial ratio analysis of the company is very important for understanding the financial position of the company. The financial projection is effective in gathering information about the parts that can be improved for better results in businesses. Breakeven analysis is helpful for understanding the number of products that should be sold for covering the fixed and variable costs of the company. The critical evaluation helps to understand the source of finance of this company and its advantages and disadvantages. The discussion part is helpful for considering the better source of finance between debt and equity finance for business expansion. This assignment on AstraZeneca is very helpful to understand the importance of proper financial analysis for better business growth of the company.

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