**A Detailed Report on Financial Analysis of Coca Cola and Pepsi for year 2023-2022**

**Financial Research**

**D1) Financial Analysis**

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| --- | --- | --- |
| **Ratios** | **2023** | **2022** |
| **Coca-Cola** |   |   |
| Gross Profit | 25004 | 23298 |
| Net Income | 9542 | 9771 |
|   |   |   |
| Working Capital | 2867 | 2595 |
| P/E Ratio | 28.72 | 25.32 |
| Debt To Equity | 2.592 | 3.022 |

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| **Ratios** | **2023** | **2022** |
| **Pepsi Co** |   |   |
| Gross Profit | 46050 | 42429 |
| Net Income | 8910 | 7618 |
|   |   |   |
| Working Capital | -5246 | -4437 |
| P/E Ratio | 27.21 | 31.54 |
| Debt To Equity | 4.34 | 4.72 |

**Comparing the firms’ profits for the past two years**

2 companies that are selected are Coca-Cola and PepsiCo which are one of the world's largest food and beverage corporations. If the profitability of Coca-Cola Corporation is analyzed then it can be said that in the year 2022,the Net Income of Coca-Cola was $9771 million which declined in the year 2023 by $9542 million. However Gross profit of the corporation has increased in the 2 years. On the other hand, Pepsi Co's Net Income was $7618 million in the year 2022 which increased up to $8910 in the year 2023. The gross profit of PepsiCo has also increased in 2 2-year period. If the performance of both corporations is analyzed then it is clear that the profitability of Coca-Cola is higher than PepsiCo however PepsiCo's income is showing an increasing trend whereas Coca-Cola's net income has experienced a decline.

**Computing the working capital for each firm**

Working capital can be explained as the difference between the current assets and current liabilities of the organization. Working capital shows the liquidity condition of the organization and how efficiently the organization is managing its current assets. If the working capital of Coca Cola organization is analyzed then it is evident that working capital was $2595 in 2022 which increased to $2867. From the working capital, it is clear that the corporation has enough current assets for the payment of short-term obligations. If PepsiCo's working capital is analyzed then it is clear that the business needs significant improvement in managing the current assets. The corporation does not have enough cash for the payment of short-term obligations. Low working capital should be a sign of concern for PepsiCo's organization. If the organization is not going to improve its liquidity then its operations might get disrupted with the passage of time.

**Determining the price-earnings (P/E) ratio**

Price-earnings ratio (P/E) ratio is a market ratio that provides brief information regarding the company's stock performance. If the P/E ratio is higher it means that the stock price is higher than the earnings of the organization which means that stocks are overvalued. A P/E ratio of around 20 to 25 is considered good for the corporation. The P/E ratio of Coca-Cola Corporation was 25.32 in the year 2022 which increased up to 28.72 in 2023. PepsiCo's P/E ratio was 31.54 in 2022 which declined to 27.21 in 2023. Overall it can be said that Coca Cola P/E ratio is better than PepsiCo's in the 2-year period because PepsiCo's P/E ratio indicates that the stocks of the company are overvalued.

**Calculating the debt-to-equity ratio**

The debt-to-equity ratio provides brief information about the capital structure of the organization. From debt to equity ratio the management of long-term loans can be assessed efficiently. If the debt to equity ratio of Coca-Cola Corporation is analyzed then it can be said that in 2 year period, the debt to equity of the organization has declined which is a good sign for the organization. PepsiCo's debt to equity has also declined in 2 2-year periods However the debt to equity ratio of Coca-Cola is lower than PepsiCo's debt to equity ratio which means that Coca-Cola corporation has taken lower debt (Chandra, 2011).

**What does each calculation tell you about the firm?**

If the profitability, liquidity, and financial leverage of Coca-Cola and PepsiCo in the 2-year period are analyzed then it is evident that the performance of Coca-Cola Corporation is way better than PepsiCo's performance. The profitability and liquidity condition of Coca-Cola are better than PepsiCo. Even the financial leverage condition of the company is better than PepsiCo. Therefore it is recommended that PepsiCo Corporation improve the financial performance of the organization by focusing on profitability, liquidity, and financial leverage conditions (Mulford & Comiskey, 2011).

**Are they a good investment?**

Investing Coca Cola Corporation would be a better decision because not only the profitability and liquidity condition of the organization is good but also the stocks of the corporations are not too much overvalued. PepsiCo corporations stocks are overvalued and the company's financial performance in the last 2 years is also not very satisfactory. Therefore investing in Coco Cola Corporation would be a wise decision (Pandey, 2015).

**The limitations of this analysis?**

This financial analysis has its own limitations because this financial analysis has not evaluated efficiency ratios and profitability ratios in detail. In order to get a detailed financial analysis all the financial ratios should be computed. In addition, the financial data of Coca-Cola and Pepsi have been taken for only 2 year period which is not enough to get a detailed financial analysis of the corporations. It is important to take at least 5 years of financial information to get brief information about the financial analysis of the corporation.

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**D2) Financial Analysis**

**Selected Financial Ratios**

Analysis of the financial statements is very important for every organization because through financial analysis the organizations determine their performance. On the basis of the financial analysis the top management of the organization makes various financial and business decisions. There are many techniques through which analysis of the financial statements can be performed such as trend analysis, common size analysis, and financial ratio analysis. Many organizations choose financial ratio analysis for analyzing financial statements because financial ratios provide a brief and quick overview of the financial performance of the organization. From financial ratios liquidity, profitability, financial leverage, and asset management of the organization can be analyzed. Financial ratios provide detailed information only when they are compared with the industry average or with other corporations that are working in the same industry. Overall it can be said that ratio analysis has its own advantages and drawbacks (Warren, Reeve, & Duchac, 2016).

The 2 ratios that are selected are efficiency ratios and profitability ratios. These 2 ratios are essential for knowing the financial performance of the organization. Profitability ratios are essential for all the key stakeholders of the corporations because, on the basis of profitability, the business will make various financial and expansion decisions. Profitability ratios are important for shareholders and investors because investors will make investing decisions by keeping the profitability of the corporation in mind. Investors know that when the profitability of the organization is going to increase then the return on their investment will also going to increase as a result (Baker & English, 2011).

The profitability ratios are also important for shareholders because shareholders want the organization to take such initiatives through which their wealth can be maximized. Therefore these are some of the reasons for which profitability ratios are selected for analyzing the performance of the organization. The efficiency ratios or asset management ratios are the second ratios that have been chosen for analysis. The reason for choosing efficiency ratios is to understand how efficiently the organization is using its assets to generate sales. Efficiency ratios provide a brief overview of the operations of the corporations.

**US Companies Listed On NASDAQ Stock Market**

|  |
| --- |
| **Microsoft** |
|  |  |  |  |  |  |
| **Fiscal** | **2018** | **2019** | **2020** | **2022** | **2023** |
| Gross Margin % | 65.25 | 65.9 | 67.78 | 68.93 | 68.4 |
| Operating Margin % | 31.77 | 34.14 | 37.03 | 41.59 | 42.06 |
| Net Margin % | 15.02 | 31.18 | 30.96 | 36.45 | 36.69 |
| EBITDA Margin % | 44.82 | 46.13 | 47.84 | 50.65 | 50.56 |
| Tax Rate % | 54.57 | 10.18 | 16.51 | 13.83 | 13.11 |
| Return on Asset % | 6.63 | 14.39 | 15.07 | 19.3 | 20.82 |
| Return on Equity % | 21.37 | 42.41 | 40.14 | 47.08 | 47.15 |
| Return on Invested Capital % | 11.49 | 22.69 | 23.9 | 30.8 | 33.23 |
| Interest Coverage | 14.35 | 17.27 | 21.47 | 31.31 | 41.58 |
| Days Sales Outstanding | 76.52 | 81.22 | 78.52 | 76.06 | 75.76 |
| Days Inventory | 23.05 | 20.1 | 15.68 | 15.83 | 18.58 |
| Payables Period | 76.17 | 76.55 | 86.79 | 96.76 | 99.52 |
| Cash Conversion Cycle | 23.4 | 24.76 | 7.41 | -4.87 | -5.18 |
| Receivables Turnover | 4.77 | 4.49 | 4.65 | 4.8 | 4.82 |
| Inventory Turnover | 15.84 | 18.16 | 23.28 | 23.06 | 19.65 |
| Fixed Assets Turnover | 3.69 | 3.15 | 2.96 | 2.72 | 2.5 |
| Asset Turnover | 0.44 | 0.46 | 0.49 | 0.53 | 0.57 |

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| --- |
| **Apple Inc.** |
|  |  |  |  |  |  |
| **Fiscal** | **2018** | **2019** | **2020** | **2022** | **2023** |
| Gross Margin % | 38.34 | 37.82 | 38.23 | 41.78 | 43.31 |
| Operating Margin % | 26.69 | 24.57 | 24.15 | 29.78 | 30.29 |
| Net Margin % | 22.41 | 21.24 | 20.91 | 25.88 | 25.31 |
| EBITDA Margin % | 32.77 | 31.46 | 29.51 | 33.66 | 33.76 |
| Tax Rate % | 18.34 | 15.94 | 14.43 | 13.3 | 16.2 |
| Return on Asset % | 16.07 | 15.69 | 17.33 | 28.06 | 28.36 |
| Return on Equity % | 49.36 | 55.92 | 73.69 | 147.44 | 175.46 |
| Return on Invested Capital % | 24.41 | 25.75 | 30.11 | 51.7 | 55.72 |
| Interest Coverage | 23.5 | 19.38 | 24.35 | 42.29 | 41.64 |
| Days Sales Outstanding | 28.21 | 32.35 | 25.96 | 21.15 | 25.21 |
| Days Inventory | 9.82 | 9.09 | 8.79 | 9.12 | 9.41 |
| Payables Period | 116.95 | 115.2 | 95.29 | 83.17 | 97.05 |
| Cash Conversion Cycle | -78.92 | -73.76 | -60.54 | -52.9 | -62.44 |
| Receivables Turnover | 12.94 | 11.28 | 14.06 | 17.26 | 14.48 |
| Inventory Turnover | 37.17 | 40.13 | 41.52 | 40.03 | 38.79 |
| Fixed Assets Turnover | 7.07 | 6.61 | 7.4 | 9.6 | 9.67 |
| Asset Turnover | 0.72 | 0.74 | 0.83 | 1.08 | 1.12 |

The 2 companies that are selected from the NASDAQ stock market are Microsoft Corporation and Apple Inc. Both of these corporations are one of the largest technology companies in the world. If the profitability and efficiency ratios of both the organizations are analyzed then it is evident that profitability and efficiency of the corporations have increased in the past 5 years(Habibi, 2019).

**How do investors assess the future prospects of these companies?**

The investors can analyze the profitability and efficiency ratios of the organization to understand the financial position of the business. If the profitability of the corporations is showing an increasing trend then the investors can invest in the corporations(Sercu, 2009).

**How does it relate to doing business in Saudi Arabia?**

In Saudi Arabia, there are many organizations that are working in different sectors. Saudi Arabia has taken the decision to diversify its economy according to Vision 2030. Many new organizations are now entering into the tourism and hospitality sectors. These organizations can perform financial ratio analysis to know the financial performance of the corporations. By knowing the profitability and efficiency of the organization these corporations can make accurate business decisions. Overall it can be said that financial ratio analysis can help various corporations in Saudi Arabia to grow and expand in the near future. For gaining a competitive edge over the competitors financial analysis can play an important role (Fridson & Alvarez, 2011).

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**D3) Time Value of Money**

The time value of money concept can be explained as a sum of money having more worth today than the same sum of money in the future. According to the time value of money concept the value of money will only grow with the help of investing and delaying investment is considered a lost opportunity. Overall it can be said that the purchasing power of money keeps on changing with the passage of time. The time value of money has various effects on the organizations and the decisions that the organizations make on a daily basis (Parameswaran, 2011).

The time value of money hasa major effect on the spending decisions because the organizations know that with the same amount of resources today the organizations can purchase more products than what they can purchase in the future. In addition, the corporations also know that saving money today will help the corporations in the future because in the future the savings can be used for fulfilling various necessities. The time value of money hasa significant impact on investing and borrowing decisions as well. Corporations know that if they are going to invest somewhere then they can earn significant returns from the investment over time.

The time value of money allows the organizations to understand various types of risks that can impact the operations of the corporations. Organization can control their spending but corporations does not have control over the inflows which means that there is huge uncertainty regarding the future and the corporations must have a plan to manage the uncertainties. Inflation with the passage of time keepson changing which can increase the cost of operations as well. That’s why it can be said that the money received today is more useful than the money received in the future (Baker & English, 2011).

The net value of cash flows at different points in time is the subject of the time value of money issue. In a common case, the factors may be balance (actual or apparent value of the liability or monetary resource relating to money-related units), intermittent rate of income, amount of period, and income development. (On a liability basis, the income is the installments against the principal and the premium; These are contributions or withdrawals from the balance in the case of a financial asset.) Rather, the income does not have to be intermittent but can be stated exclusively. Any of these factors can be a free factor (answer sought) in a given problem. For example, one might know that: the interest is 0.5% per period (say every month); the number of periods is 60 (months); 25,000 units constitute the initial debt balance in this case; likewise there are no units left. An unclear variable may be the regularly scheduled repayment that the borrower should be making (Warren, Reeve, & Duchac, 2016).

For example, if £100 is invested for one year and earns 5% interest, it will eventually be worth £105; So a recipient expecting 5% interest and assuming zero inflation has the same value for £100 paid now and £105 paid exactly one year later. This means £100 contributed for one year at a 5% premium has a future value of £105 assuming zero percent expansion.

A lump sum "present value" of the entire income stream can be obtained by applying this principle to the valuation of the likely future income stream by discounting and adding annual income; each of the standard estimates of the time value of cash is obtained from the most basic logarithmic articulation for the present value of a future sum "limited" to the present by an amount equivalent to the time value of cash.

**Explain how it relates to doing business in Saudi Arabia**

The understanding about time value of money is not only significant for financial professionals but the general population in Saudi Arabia is also focusing on Saudi Vision 2030 and they are motivated to achieve the objectives for the transformation of Saudi Arabia's economy. Saudi citizens are required to plan their financial future therefore they are required to save for education, retirement, and other long-term goals Therefore understanding the time value of money is helpful to making rational decisions about the investment of money to achieve the is objectives. Saudi Arabia is encouraging entrepreneurship and growth of small businesses therefore individuals are required to analyze the feasibility and profitability of such business ideas. The time value of money could help in evaluating the viability of business organizations. Real estate agencies are required to take the initiative for stimulating the real estate sector and make decisions about property investment mortgage and housing. The research concluded that understanding about time value of money is helpful for Saudi people in different sectors as the research is helpful to provide valuable insights about the practical implication of the time value of money in Saudi Arabia.

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**D4) Break-even Analysis**

Break-even analysis is an effective way to analyze the financial feasibility for business expansion. It is helpful to determine the level of sales that is helpful to cover the business expenses at the level where the business generates profit or loss(Sercu, 2009). Different methods could be used to identify the break-even point such as the calculation made with fixed cost and variable cost related to expansion that could determine the sales volume required to cover these costs. With the help of break-even analysis, the business could compare the projected sales volume of the business and the potential for expansion of business operations. In case the sales projections are increasing then the break-even point, is considered that the expansion is profitable and vice versa. By conducting sensitivity analysis different key variables such as sales volume, price, and cost of business expansion could be calculated which is helpful to analyze the changes in the factors that could influence the break-even point of a business and its profitability. The analysis is helpful to get an overview of the scenario to ensure the capacity of the business to expand its operations.

Moreover, break-even analysis is helpful to identify allfixed costs related to opening and operating the second coffee shop in a new location as it could determine expenses like rent, utilities, salaries, insurance marketing expenses, etc. Not only fixed cost could determine the variable cost with the help of break-even analysis but it could also provide information about the variable cost that is directly related to the number of customers that the coffee shop is going to serve(Pandey, 2015). Variable cost is related to the cost of coffee beans, cups, milk pastries, etc., and may fluctuate with the change in sales volume. Break-even analysis provides information about the sales volume that is required by the business for generating profit as it is a level that is determined at the point where the company is not generating profit and loss therefore to generate profit margin business is required to generate revenue more than the break-even point.

**Factors needed to consider**

Expanding a coffee shop by opening its new branch in a second location is a significant business decision that requires careful investigation about significant factors that have a greater contribution to the profitability. Different factors are needed to be considered when analyzing the plan to open a second coffee shop in a new location.

**Location:** The first and foremost factor that is required to analyze is the potential location for a new business for starting a new coffee shop, it is necessary to select a high-traffic area that is easily accessible by the target customers. The location must be near to public places and offices that could be accessible by a large number of customers(Lipson, 2019).

**Competition:** In every type of business startup, it is necessary to evaluate the existing similar businesses in the area. It is significant to analyze the operations of existing coffee shops and determine how to differentiate your new business from existing ones (Spender, 2014).

**Market research and strategies:** For a business plan, it is necessary to conduct market research to understand the demand and taste of customers by considering the demographics consumer preferences, and their purchasing decisions. Market research is also helpful to develop marketing strategies to attract new customers for promoting the brand.

**Operational cost and cash flow:** It is necessary to estimate the startup cost of the business at the new location by considering different expenses and analyzing the cash flows that are helpful to make sure the recovery of working capital to support the business idea is profitable.

**Assumptions required**

In any business analysis, there are specific assumptions that are made to be well aware of their potential impact. In the following, some assumptions are necessary to consider.

* The daily sales and growth rate are fundamental therefore these rates are assumed to ensure that the assumptions are made based on realistic market research and historical data.
* Cost projection including fixed and variable costs should be based on conservative and market research and benchmarks that are helpful to assume the cost of business near to real time example.
* The consumer behavior is also assumed as expanding operations of the business are assumed that it must be near to accurate visits of customers.
* The assumptions related to economic conditions could influence the business decision such as inflation rates, interest rates, and economic trends may requirechanging the plan of the coffee shop business.
* It is also predicted that the competitors could also react to the new location therefore it should also know how it could impact the sales of existing business.

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**D5) Intrinsic Value of a Stock**

One of the commonly used methods for determining the intrinsic value of stock is Discounted Cash Flow DCF analysis which estimates the present value of all future cash flows generated by stock (Sutjipto, Setiawan, & Ghozali, 2020). DCF is considered an efficient method that considers the time value of money and the expected growth of a company that is used to get comprehensive overview of the intrinsic value of the stock. DCF analysis is helpful to figure out the value of an investment at the current day based on projected money that will be generated in the future. This method is helpful for investors to make decisions about investment in the stock market. The basic objective ofDCF analysis is to estimate the return that an investor could generate from his investment by considering the time value of money. The time value of money is assumed as the dollar rate in the current era is worth more than a dollar tomorrow because it could be invested. DCF analysis is appropriate as it is invested in away that the money would be received in the future.

To calculate the interesting value Intercontinental Hotel in Saudi Arabia is selected based on working in the hospitality industry. DCF could not be applied without getting consistent revenue and earnings based on the valuation that normalized the free cash flow and book value of the company. Detailed information could be obtained from the annual reports of Intercontinental Hotel 2022(Al-Jarf., 2021).

The Free Cash Flow of Intercontinental Hotel is $393.57

Intrinsic value = growth multiple \* FCF (6 year avg.) + Total Stockholder Equity / Outstanding

= 9.5203515959648\* 393.57142857143 + (-1857) / 182.000

= 7.83

Stockholder equity is an art as it provides detailed information about a company and is possible to get a median value about the performance of the company. Intercontinental Hotels' intrinsic value is calculated with the help of the following formula;

Price to intrinsic value = share price / intrinsic value

= 71.50 / 7.83

**= 9.13**

According to the calculation, it could be analyzed that in 2022 the projected FCF of Intercontinental Hotels is $19.3 and the stock price of this company is $71.50. Therefore, the price-to-intrinsic value projected FCF of Intercontinental Hotel Group is $8.9 in April 2022. According to the given information, it could be stated that the Intercontinental Hotel group is overvalued.

The intrinsic value of a stock is helpful for business leaders operating in Saudi Arabia in the context of Saudi Vision 2030 as business leaders are responsible for making strategic decisions about the allocation of resources specifically the capital of the company. The identification of overvalued or undervalued stock could provide information about attractive investment opportunities that are a major source of changing the portfolio of business and arranging the business objectives according to the Saudi Vision 2030 to get economic diversification. The method helps determine the accurate stock value that is beneficial for business leaders to analyzerisks related to investment opportunities. For example, the overvalued stock of Intercontinental Hotel may expose investors to greater risk in the market as well and if the stock is undervalued it may represent further growth of personalities with lower levels of risk therefore it is necessary to determine the risk in the market and use risk management strategies. It is also significant for business leaders as the mission of Saudi Vision 2030 aims to attract foreign investment that represents the Saudi stock market and provides fair opportunities to attract foreign investors who could contribute to the economic growth of the country. The business leaders who want to expand their businesses on an international level could align their business objectives with Saudi Vision 2030(Habibi, 2019).

The plan of Saudi Vision 2030 focuses on long-term planning and sustainable economic development therefore business leaders are required to make investment according to the Saudi Vision 2030 and analyze the opportunities where stocks are enterprise that is significant to make decisions related to further investment. The basic objective of the Saudi Vision Plan is to reduce the dependence on oil revenue and diversify the Saudi economy therefore it is necessary to evaluate the stocks of different companies so that business leaders can identify the growth opportunities in non-oil industries to facilitate the economic diversification. Understanding about stock valuation concept is helpful to promote market efficiency therefore it is also helpful for business leaders When stock is undervalued they could explore opportunities and when the stock is valued they could encourage efficient capital allocation to maximize the benefits for investors. It is significant to analyze whether stock is under-priced, over-priced, or fairly price because it is significant for business leaders operating in Saudi Arabia specifically when they are required to align their strategies according to Saudi Vision 2030. It is helpful to support decision-making, management, and attracting foreign investment because these are significant components to achieving the objectives of economic transformation (Amran, Amran, Alyousef, & Alabduljabbar., 2020).

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**D6) Working Capital Management**

The principle of self-liquidating debt is a risk management strategy in which an organization matches the maturity of its debt with the expected life of the asset that is required to be financed. The concept is based on that the cash flow generated by an asset will be used to repay the debt and reduce the risk related to debt servicing(Ejoh, Okpa, & Egbe., 2014). There are different cases explained in the following to determine how this principle is implemented in different situations:

**Applewood Homes**

In the given case of Applewood Homes, the company plans to borrow $5 million to expand its senior housing department which is expected a project based on 10 years. According to the given situation, it favors the use of long-term debt. Long-term borrowing is based on the period in which maturity is more than one year. In long term borrowing, payments are predictable and the debt is based on a fixed interest rate that creates convenience for borrowers to repay the amount and manage it easily. Long-term borrowing could be aligned with the expected life of assets or other facilities that could reduce the risk of refinancing and provide stable repayment terms. Investors have greater confidence in long-term borrowing as they can manage their obligations by issuing bonds(Conrad, Custovic, & Ghysels, 2018).

The implementation of the principle of self-liquidating debt represents that the company should consider long-term borrowing such as bonds are mortgages with a maturity of 10 years. With the help of a matching debt maturity to the expected life of the asset, Applewood Homes could make sure that cash flows generated from expanded facilities could be enjoyed more than the next 10 years and it would be easy to repay the depth. Applewood Home is required to consider cash flow and repayment ability by evaluating the performance of the company through its cash flow as it helps to match the debt repayment with expected revenue generated from the expanded facilities. The company is required to consider the prevailing interest rate as in the long term interest rates are more than short run therefore it is necessary to make decision that is beneficial for the business. In the selected method of borrowing, there is a need to consider the risk due to fluctuations in interest rates. It is also necessary for Applewood Homes to consider the utilization of funds as expanded projects are required to consider capital expenditure and long-term financing that is suitable to cover the initial cost.

**XYZ Chemicals**

In the case of XYZ Chemicals, the company is required $2 million to purchase inventory to support its sales volume without anticipating the reduction in future inventory. It is necessary to consider different factors involved in the choice between short-term and long-term borrowing. Long-term borrowing is beneficial as it is based on predictable payments and there is financial stability. It is recommended that XYZ Chemicals consider cash flow and repayment ability by analyzing the performance of the company with the help of cash flow and considering that the company is expecting continuous support for inventory to get growing sales to make the payments of loans. The inventory turnover rate of a company is also required to consider which is helpful to make sure that how company can repay the debt when the inventory is sold. The company is also required to consider the risk tolerance and growth plan of the company to project development in sales volume(Warren, Reeve, & Duchac, 2016).

**HomeBake**

In the case of HomeBake, the company requires an extra $5 million to finance the seasonal expansion in the inventory and also improve the receivables from November to January. As the need is seasonal and the nature of need is based on short-term borrowing it is recommended to consider short-term financing options. Short-term borrowing is beneficial as it is flexible and there are low interest rates as compared to long term borrowing. HomeBake could use seasonal credit or short-term loans to cover the capital requirements during needs as this form of debt could be easily paid off during the seasonal sales by generating higher cash inflows and making the company self-liquidated to avoid unnecessary burden of long-term debt that is not suitable to fulfill the working capital requirements.

It is concluded that the principle of self-liquidating debt suggested matching the maturity of debt according to the nature of the case to make sure that the strategy helps reduce the risk related to the debt for the company and make sure that it would be easy for the company to repay the debt with aligning cash flows generated by the assets.

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**D7) The Saudi Vision 2030**

Saudi Vision 2030 is a comprehensive plan that was introduced by the Saudi Arabian government to change the economy and reduce its dependency on oil. The basic objective of Saudi Vision 2030 is to diversify the economy and explore the different sectors that could contribute to the overall development of the economy including infrastructure, tourism, and education. The primary concern of Saudi Vision 2030 is to encourage private sector investment and attract Foreign Direct Investment in different sectors of the Saudi economy. In the development of foreign investment, the Saudi economy could obtain its objectives that are allowed with the goals of Saudi Vision 2030 but it is necessary to navigate specific challenges and avail the opportunities that are helpful to mitigate the risks. This section of research could analyze how foreign investors could play a significant role in managing the exchange rate risks related to investment in Saudi Arabia.

Foreign investors could perform a key role in Saudi Vision 2030 as they could provide a substantial view of capital inflow in Saudi Arabia that is significant for the development of multiple sectors of the economy besides the oil and gas industry. Traditionally, Saudi Arabia is highly dependent on the revenue generated from the oil industry therefore currently Saudi Arabia is aiming to diversify its economy and reduce its vulnerability to manage the frustrations in oil prices. For this purpose, they are targeting different sectors to increase investment such as improving tourism infrastructure improvement in the education sector foreign investor could accelerate the growth and transform these industries by contributing their funds.

Foreign Direct Investment usually brings advanced technology and increased use of advanced technology and innovative practices in the host country. Concerning Saudi Vision 2030, advanced technology could transfer the growing opportunities in different sectors, for example, in education modern teaching methods could be introduced with the help of e-learning platforms. Such diversification and infusion of technology would enhance the efficiency of businesses operating in Saudi Arabia. One of the key objectives of Saudi Vision 2030 is to overcome the unemployment rate in the economy specifically related to Saudi nationals therefore foreign investors are offered to contribute to creating job opportunities by investing in tourism and infrastructure projects that will use the expertise of the local workforce with highly skillful abilities. Moreover, foreign investors could play a significant role in developing the skills among the Saudi workforce who are not provided with efficient practices as by providing training sessions there will be a bridge between the gap in skills and knowledge that is helpful to reduce the unemployment rate among the Saudi citizens.

Moving forward to analyze the role of foreign investors in Saudi Vision 2030, it could be said that Saudi Vision 2030 has a greater focus on increasing trade with other countries without dealing in oil products(Habibi, 2019). In this way, foreign investors could perform the role of bridge between the international market and trade partnerships between Saudi Arabia and their home countries that create possibilities to enter in global market. Foreign investors specifically those who have expertise in the hospitality and tourism industries, could contribute to the development of infrastructure, hotels,accommodation facilities, and resorts in Saudi Arabia and they could promote Saudi Arabia as a tourist destination by using their international networks. The development of the educational sector could also develop a knowledge-based economy in Saudi Arabia and foreign investors could establish partnerships with Saudi educational institutes to develop international expertise and provide high-quality educational programs to solve the national. It could lead to improved educational outcomes and could obtain a highly skillful workforce.

Although foreign investors could play a significant role in achieving the objectives of Saudi Vision 2030 it is necessary to analyze various challenges and adopt significant strategies to address these challenges(Amran, Amran, Alyousef, & Alabduljabbar., 2020). The major problem is linked with fluctuating exchange rates as investments in a foreign country always have risks related to exchange rates and Saudi Arabia is not an exception. Managing such risks is significant for foreign investor to protect their investment to achieve the financial objectives. For this purpose, they are required to adopt different strategies such as investor could use financial instruments such as currency forward options and hedging against the fluctuation in exchange rate. Such instruments are helpful for investors to lock the exchange rate at a specific limit that is helpful to reduce uncertainty. For instance, a foreign investor is expected to receive Saudi Riyal in future but after a long period there is a chance to change the foreign exchange rate therefore he could make a contract to pay a specific amount in the future without considering the exchange rate at that time.

Diversification of a currency rate is also significant to evaluate the risk and mitigate the risk associated with the exchange rate. The investment hold in various currencies could help the investors to reduce the risks and avoid facing adverse movements while dealing in a single currency. Besides this, foreign investors could collaborate with local partners to lock the deal in local currency which is helpful to mitigate the exchange risks. Mostly, the fluctuation in exchange rate is based on the short term therefore investors are required to maintain long-term relationships with the host country and avoid the short-term currency volatility that is helpful for the government to fulfill the commitment of getting economic diversification. Besides this, it is also significant for foreign investment to stay informed about economic and political developments in Saudi Arabia as these factors are helpful to determine the movements of currency and efficient information about such factors could permit the investors to adjust their investment strategies according to the prevailing situation. They could also seek advice from financial experts and consult with the experts to mitigate these risks and generate profits.

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