**Week 3: Final Project Paper**

Name

Date

Institution

**Two Largest Investing Activities and Financing Activities of Barclays PLC and Lloyds Banking Group**

According to research, each bank has varied activities with the highest financing and investing activities. The data is summarized in the table below.

**Table 1: Investing activities and financing activities**

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| --- | --- | --- | --- | --- | --- |
| Company  | **Financing Activity (2015)** | **Amount in USD** | **Investing Activity (2015)** | **Amount in USD** | **Total** |
| Barclays PLC ADR | Issuance of Long term Debt | 5.26B | Sale/Maturity of Investments | 132.61B | 137.87B |
| Lloyds Banking Group PLC ADR | Issuance/Reduction of Debt, Net | 8.9B | Sale/Maturity of Investment | 25.77B | 34.67B |

According to this table, the two banks have employed different strategies of financing themselves and also investing additional funds. For Barclays, the single most successful financing activity for them in the year 2015 was the issuance of long term debt. For Lloyds, it was issuance and reduction if debt at 8.9B (Lloyds Banking Group, 2016). In this regard, Lloyd did better than Barclays in getting more from its financing activities as concerns issuance/reduction in debt. The company decided to pull its resources in this sector to ensure that the debts, as financing activities, accrued the maximum possible amount. Barclays’ strategy favored its long term debts more than any other debt. Due to this, the bank’s long term debts brought in the most financially with 5.26B (Barclays, 2016). The focus for each firm regarding financing activity was different owing to the strategies they applied during the year 2015. The approach, often a combination of marketing and product development strategy, helped each company achieve its objectives different form the other (Parrino, 2011). Though they both got the maximum amount of from financing activities in the issuance and reduction area, it the differences in the strategies are demonstrated by the different largest financing activities tabled above.

Concerning investing activities, Barclays did better than Lloyd. The latter collected 25.77B compared to Barclays’ whooping 132.61B in the year 2015. Here the strategies employed by each firm were quite different owing to the difference in cash flow. Both of them got the maximum amount of investing cash flow from the same area; sale and maturity of investment. The only explanation for the discrepancy in cash flow is the strategies used. Barclays’ had used strategies that sought to favor the uptake of its products. This is achievable through the use of diverse and numerous investment plans. This helps the bank to secure a sizeable investment when the plans mature. The diversification is critical ensuring that if one investment fails the others can cover for it and reduce its impact financially. Barclays is a bank that takes large risks in terms of investments (Barclays, 2016). Sometimes, the risks pay off huge some other times they do not. For instance, in the year 2013, the sale and maturity of investment for the bank was 69.47B only. Therefore, the company can be said to have maintained consistent strategies a far as investment sale and maturity is concerned. In the year 2015, the company managed the best return from the risk the company it had taken. Lloyd Bank does not make such risks. From the year 2011, the company has averaged between 50B and 15B in sales and maturity investments annually. This goes to show that the company has not a high limit on risk investment in this particular area.

**Compare and Contrast of the Investing and Financing Activities**

As demonstrated by the data above, Lloyd is a bank with a low risk ceiling for its investment plans. For this reason, the company has been getting fairly average and low returns compared to Barclays when it comes to investing activities. In fact, the highest amount the company got was in the year 56.64B back in the year 2011. For Barclays, the smallest amount the company got from its investing activities was in the year 2013, 69.47B. Clearly, the strategies employed by Barclays are more efficient than those of Lloyd when it comes to investing. When it comes to financing activities, Barclays has been outdone by Lloyd. The two banks have a slight difference when compared to the difference in investing activities. However, Lloyd has maximized its financing activities in net issuance/reduction of debt more than Barclays. These results explain why Barclays got a lot of investment returns from sale/maturity of investment (Long, 2017). The central strategy in the bank was to focus on long term future of the company. Through such an approach the bank would pay more attention to long term debts and would also invest in long term investments whose maturity was in the year 2015 and thus the 137.78B investment return. For Lloyd, the management was cautious about its investments and avoided an investment that held a high rate of risk (Lloyds Banking Group, 2016). This stability and avoidance of unnecessary risk managed to keep the cash flow of the bank relatively stable for the last five years. As a result, the bank did well with regard to issuance and reduction of debt because it was backed by a fairly stable financial cash flow system. With the steady cashflow, it is easier to issue many debts at once because the firm has access to most of its funds. This is the difference in strategies that led to the differences seen in financing activities and investing activities between Barclays and Lloyd Banks (Parrino, 2011).

**Evaluation and Effectiveness of the Investing and Financing Strategies**

It has been demonstrated that Lloyd Bank opted for less risky strategies in the year 2015 as opposed to Barclays’ risky strategies. The difference between these two approaches is seen in the totals of the largest financial and investment activities cash flows. For Barclays the amount was 137.87B, and Lloyd’s was 34.67B. This shows that Barclays’ strategies brought more returns than Lloyds in the year 2015. Financially, Barclays was in a better position as far as cash flow statements are concerned. Therefore, it can be inferred that Barclays applied a more risky approach as it done consistently over the last few years and most of its investments matured as expected in the year 2015. For Lloyd bank, the approach was to void risks and maintain stable cash flow for the year (Parrino, 2011).

The rational for each bank is dependent on the financial goals for the year 2015. Barclays’ financials show that the bank has been spending a lot on long term projects since 2011 and in the year 2015, some of the projects had matured giving the company a huge boost to its cash inflow. The company did this because it had a fairly stable cash flow compared to Lloyd. Barclays’ current ratio for the year 2015 was 0.45 compared to Lloyd’s 0.14. Therefore, Barclays had a better chance financially of meeting its liabilities even if some the projects failed as Dahl (2012) found in his study. In other words, the company was following economic logic by investing in risky projects throughout the year 2015 because it had a good backing of liquidity in its reserve. It also enabled the bank to engage in long term debt issuance. Lloyd’s current ratio was too low for the company to consider risky investment leave alone long term projects. This is the rationale for the less risk approach in financial and investment activities from the bank (Weygard, 2010).

**Summary of the Key Findings from Weeks 1 to 3 of the Final Project**

Barclays PLC and Lloyds Banking Group, both firms choose different financial strategies for the year 2015. However, as the report has demonstrated, the choices were informed by the previous years’ performances for each bank. Lloyd Bank had performed poorly compared to Barclays and consequently its current ratio was too low for it considers a similar approach to that of Barclays. Therefore, each firm’s strategy for the year 2015 was well informed and was in the best interest of each bank.

**References**

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