

* Finance is plunces everything that firms do

Finance: The science and art of managing money

Finance help you How: ① get money { earning money } spend
② save money
③ invest the saving.

على مستوى الأفراد والبركانه الفانيش ساعدك على كيفية -

① الحصول على أموال

② تخزينها

③ استثمارها

get → save → invest

• Finance is the key for decisions for individuals and business
(هو مفتاح القرارات)

* Techniques Finance help you for -

1 better financial decision

2 understand the financial consequences you will face.

أساليب الفانيش تساعدك على:

① اتخاذ القرارات

② مواجهة العواقب والمخاطر وكيفية التصرف بها

* Career opportunities in Finance - (فرص العمل للفانيش)

↓
(موظف / موظفة)
Financial services

the area of finance concerned with the design and delivery of advice and financial products to individual and government and business

↓
Managerial Finance (المدير المالي)

concerned the duties of the financial manager in a business

(يركز بالواجبات التي على مدير)

المالي في الشركة

نضحية.. فداء

نطوع.. عطاء



... * Finance is pluneces everything that firms do

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① الحصول على أموال

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① إتخاذ القرارات

② فهم العواقب المالية التي ستواجهها

... * Career opportunities in Finance -

(فرص العمل في الفانيس)

Financial services

Managerial Finance (المالية الإدارية)

the area of finance concerned
with the design and delivery
of advice and financial
products to individual and government

concerned the duties
the financial manager
a business

بالواجبات التي على مدير

* Financial services -

يجب أن تقدم الخدمة بشكل ممتاز

و محترم ويكون لها تأثير إيجابي.

* « موظفنا يبن مثلاً يجب أن يكون له

دور رسمي ويقدم الخدمة بشكل محترم

للزبائن لتعود بالرضا.

* Managerial Finance وظرف

هو إدارة الأموال والتمويل (Financial Manager)

Financial Affairs

• Financial managers manage the financial affairs of all type and businesses whether private or public, large or small Profit seeking or not profit

شخص يدير الأمور المالية بشأن و يهتم بالأموال الخاصة
للأفراد يهتم بالتخطيط للأموال لشركة عامة أو خاصة أو
كانت شركة صغيرة أم كبيرة أو شركة ربحية أو غير ربحية.

The financial manager performs -

- 1 developing a financial plan or budget
- 2 extending credit to customers.
- 3 evaluating proposed large expenditures
- 4 raising money (جمع الأموال)

* In recent year financial manager

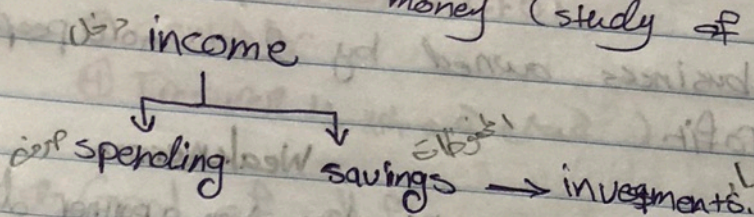
become more importance and complexity

because the globalization increase

in financial crisis and subsequent responses *

Chapter 1 (the role of managerial finance) دور الادارة المالية

Finances is the science and art of managing money (study of money)



* Decreasing = spendings increases saving which allow investments to take place (the person can retire earlier)

Career Opportunities

- ① Managerial Finance is concerned with duties of Financial manager working in a business
- ② Financial managers administer the financial affairs of all type of businesses they develop financial plans or budget
- ③ Financial services is the area of financial concerned with the design and delivery of advice and financial products to individuals, businesses and governments.

• Legal forms of Business Organization :-

- ① Sole proprietorship which is only owned by 1 person and for his/her profit.

Strengths

- Owners receives all the profit
- Low organization cost
- Independence
- Ease of dissolution

income included and taxed on proprietors personal

tax return

نضحية.. فداء



Weakness

- Owners sustains all losses
- limited fund raising power inhibits growth
- leads continuing when proprietor dies
- Owners has unlimited liability in that total wealth can be taken to satisfy

نطوع.. عطاء

for debts

Financial services
Managerial Finance } → career in Finance.
(Financial manager).

② Partnership: ~~owned~~ a business owned by 2 or more people operated for profit. (الشراكة)

Strengths

- Raise more funds than sole proprietorship
- More brain power and managerial skills.
- Borrowing power enhanced by more owners
- Income included and taxed on partners personal tax return.

Weaknesses

- Dissolves when a partner dies
- Difficult to liquidate transfer partnership
- Owners have unlimited liabilities and may have to over debts of other owners

③ Corporation: an entity created by Law. (الكيان القانوني)
(Can sue / be sued / make contracts / acquire property) ~~weaknesses~~

Strengths

- Long life of firm
- Better access financing
- Owners have limited liability which guarantees that they can't lose more than they have invested.
- Ownership (stock) readily transferable

Weaknesses

- High taxes because income is taxed and dividends paid to owners are also taxed at a rate of 15% max
- More expensive to organize
- greater government regulation
- lacks secrecy because require firms to disclose financial results

Stockholders

Board of directors

President (chief executive officer) CEO

Treasurer

Vice President Finance (CFO)

Controller

نضحية.. فداء



نطوع.. عطاء

¶ If the corporation fails the ~~ones~~ ~~which~~ ones which are responsible are -

① President (CEO)

② Vice president (CFO)

③ Controller

④ Treasurer

¶ Goal of all firms -

① Maximise shareholder wealth (تعظيم الربح)

managers are only responsible to make decisions that are supposed to increase the share price.

② Maximise profit (زيادة الربح)

It may not lead to the highest possible share price, because

a. timing is importance.

b. profits don't necessarily result in cash flows

available to stockholders.

c. profit maximisation fails to account for risk

③ Stakeholders

group such as employees, customers, suppliers, etc who have a direct economic link to the firm.

to Maximising shareholders wealth is done by -

a. capital gain (فرقة السعر)

to buy something and sell it at a different price.

b. yield (قوة الأرباح)

* Profit maximising may not lead to the highest possible shareprice For 5 reasons:-

① Timing.

② Risk

③ Profit don't necessarily result in cash flows available to stock holders

④ Holding risk fixed, higher cash flow mean higher shareprice

⑤ Holding cash flow fixed, high risk tend to result lower cash flow.

* Stakeholders. (أصحاب المصالح)

Employees, owners, supplies, creditors and others who have direct economic link to the firm.

* The role of business ethics :- (أخلاقيات الأعمال)

Business ethics standards of conduct or moral judgment that apply to people engaged in commerce.

① Creative Accounting. (المحاسبة الإبداعية)

② Earning management (إدارة الأرباح)

③ Misleading financial forecasts (التوقعات المالية المضلّة)

④ Insider trading.

⑤ Fraud

⑥ ~~excessive~~ excessive executive

⑦ Option backdating

⑧ Bribe.

⑨ kickbacks

★ IF the previous weren't present in a corporation.

- ① gain loyalty.
- ② Enhance corporate value.
- ③ Reduce potential judgment cost
- ④ Maintain positive corporate image
- ⑤ Build shareholder
- ⑥ Reducing risk.
- ⑦ positive effects firm share price.

★ Managerial Financial Functions -

- (depends on size of the firm)
- The small firms → Finance Function generally formed by accounting department.
 - The large firms → Has a separate finance department.

★ Managerial Finance Function Relationship to economic

Supply and Demand analysis (توازن العرض والطلب)

Profit Maximization (زيادة الربح / تقليل التكاليف)

Price theory (نظرية الأسعار)

Managerial Marginal cost-Benefit analysis (cost-Benefit)

The economic principle which says that financial decisions should be made and actions taken only when the added benefits exceed to added costs.

• What is the origin of finance?

- a. accounting and economic
b. Marketing
c. Human resources.

Example of marginal cost-benefit analysis:-
 benefit of new computer $\rightarrow 10,000$
 benefit of old computer $\rightarrow 3,000$
 Marginal benefit $\rightarrow 7,000$
 Cost of new computer $\rightarrow 8,000$
 (sold) Cost of old computer $\rightarrow 2,000$
 Marginal cost $\rightarrow 6,000$
 so \rightarrow net benefit $\Rightarrow 7,000 - 6,000 = 1,000$

* Marginal Finance Function in Relationship accounting

Difference between accounting and finance is that in finance the focus is on cash flows to the firm, but in accounting the focus is on general use of accrual methods.

account	accrual	\rightarrow	accrual basis
Finance	Cash	\rightarrow	cash basis

- Accounts \Rightarrow devote most of their attention to the collection and presentation of financial data.
- Financial Managers \Rightarrow evaluate accounting statements, develop additional data, and make decisions on the basis of their assessments.

* Corporate Governance

Defines the rights and responsibilities of CEO, treasurer, controller, and shareholders, board of directors, officers and managers.

- Corporate Governance Refers to rules processes and laws by which companies are opened, regulated and controlled

2 Type of Investors:-

- 1 Individual Investor (own small quantities)
- 2 Institutional Investor & investment professionals, hold large quantities
(Banks, insurance company, mutual funds, pension funds)

* $\text{net profit} = \text{revenue} - \text{cost}$

* $\text{net cash flow} = \text{cash inflow} - \text{cash outflow}$

* $\text{marginal benefits} = \text{benefit with new} - \text{benefits with old}$

* $\text{marginal cost} = \text{cost with new} - \text{cost with old}$

$\text{benefit} > \text{cost} \Rightarrow \text{accept}$

$\text{benefit} < \text{cost} \Rightarrow \text{not accept}$

$MB = 325000 - 125000$
 $= 200000$

$MC = 250000 - 55000$
 $= 195000$

$MB > MC \Rightarrow \text{accept}$

Accounting view \Rightarrow (accrual basis)

Financial view \Rightarrow (cash basis)

Thomas Book Sales, Inc. supplies textbooks to college and university book stores. The books are shipped with a condition that they must be paid for within 30 days but can be returned for a full refund credit within 90 days. In 2009 Thomas shipped and billed book titles totalling 760,000 \$. Collections net of return credits, during the year totaled 690,000 \$ (paid in cash). The company spent 300,000 requiring the books that it shipped and (paid in cash).

- using accrual accounting and the preceding values, show the firm's net profit for the year past
- using cash accounting and the preceding values, show the firm's net cash flow for the past year
- Which of these statements is more useful to the financial manager? why?

* (a) sales 760,000

cost of good sold 300,000

Net profit 460,000

← الحاسبه

(b) Cash receipts = 690,000

cost of good sold 300,000

Net cash flow = 390,000

← القابض

خصم اشتري كتب 300,000 دولار باعهم 760,000
الان اقرضهم 690,000 (مبلغ 70,000 \$)
760,000
هذا القابض 690,000

Ken Allen, capital budgeting analyst for Bally gears, Inc., has been asked to evaluate a proposal. The manager of the automotive division believe that replacing the robotics used on a heavy truck gear line will produce total benefits of $\boxed{560000}$ (in today's dollars) over the next 5 years the ~~existing~~ existing robotics would produce benefits of $\boxed{400000}$ (also in today's dollar) over that same time period. An initial cash investment of $\boxed{220000}$ would be required to install the new marginal cost-benefit analysis techniques to determine the robotics.

* نحن مشغور نحاول عمل تقييم لتغيير الشركة، مدير الشركة يريد تغيير قطعة معينة ← 560000
عمرها 5 سنين، هذا الروبوت يرج يجب الشركة \$ 400000 أرباح، التقييم إذا خرج أما الجديد
تكلفة الجديد 220000 وإذا باعها القديم بسعره 70000.

① * the marginal (added) benefits of the proposed new robots
Marginal benefit = MB of original robots - MB of proposed robots

$$= 560000 - 400000$$

$$= 160000 \$$$

$$300000 - 200000 = 100000$$

② * the marginal cost of new robotics
MC of new robots - Sales price of current robots

$$= 220000 - 70000$$

$$= 150000 \$$$

$$200000 - 55000 = 145000$$

③ Net benefits of new robotics

$$= MB - MC$$

$$= 160000 - 150000$$

$$= 10000 \$$$

* بناءً على الحساب فإن شراء الروبوت
بما أن NB أكثر من واحد يقبل

Chapter 2

The Financial Market Environment -

الأسواق المالية المحلية

أدوية شركة عندما تحتاج إلى استثمارات لطريقين
external ← مصادر خارجية
internal ← مصادر داخلية
من الشركة، كإيجار

* external sources

- ① Financial institution ⇒ مؤسسات مالية (بنوك)
- ② Financial markets ⇒ الأسواق المالية (بورصة)
- ③ private placement ⇒ إصدارات خاصة

* ① Financial institution ⇒ (وسيط بين الطرفين) (أدوية شركة)
الوظيفة الرئيسية للبنك هي الودائع (accept deposits) المالية في تحويل الودائع إلى قروض
أكثر شيوعاً القروض هي ~~businesses~~ businesses ثم تذهب للشركات.
* معظم القروض يتروح للشركات

* Commercial banks:-

provide savers يضع أموالهم في البنوك ويحصلون فوائد
offer loans to individual and businesses تعطي قروضاً للأفراد والشركات

* Investment Banks:-

- ① Assist companies in raising capital → تساعد الشركات في جمع الأموال
- ② advise firms on major... تقدم النصح للشركات بشأن... ~~تقديم النصح~~
- ③ engage in trading and market التفاعل مع أنشطة السوق

* Shadow banking system

- ① Engage in lending activities • نظامها • تقديم القروض
- ② don't accept deposits • ما يتقبل الودائع
- ③ aren't the same regulations as traditional Banks • لا تخضع لنفس القوانين

* ② Financial markets (السوق المالي (البورصة)

مكان ينظم العلاقة بين suppliers مع demanders بشكل جيد
 (العرض والطلب) (المشتري والمبيع)

* short term market (سوق قصيرة الأجل)

① money market (سوق النقد)

② capital market (سوق رأس المال)

* private placement (خاصة بالناس)

يتم بيعها لمشتريين معروفين أو مجموعة من المستثمرين فقط

↓
 لأي شخص يريد استثماراً، public offering (عرض عام)

قسمين ← primary (أوليات الشركة) إكتابه
 ← secondary

أوليات الشركة وتتحول منها خاصة Primary (أولى)

في السوق المالية أي شخص يريد استثماراً Secondary (ثانوية)
 (الأسهم التي يتم تداولها بين المستثمرين)

Money

The ~~capital~~ market

عبارتنا أسواق كل ما عدا النقد (مستثمر أو أقل)

① Pressure bills (سندات حكومة)

② Commercial Paper (أوراق مالية)

③ negotiable certificates of deposit (شهادات ادخار قابلة للتداول)

④ Eurocurrency market
استخدام الدولار الأمريكي خارج أمريكا.
(الودائع بالدولار الأمريكي خارج أمريكا).
وديعة الأجل ← Time deposits (short term)

* Capital market 8- Long term funds (طويلة الأجل)

① Bond السندات

② Common stock الأسهم العادية

③ Preferred stock الأسهم المفضلة. (كل شخص مملوك بعد الأسهم).
أرباح

debt + equity
(bond) (stock)
الدين + الملكية
طائفات السندات

استثمرت 100 دولاران في السندات

بعت السندات بـ 100 دولار

في حالة انقضاء السندات بـ 100 دولاران

Per value ما اختلف يعني إذا انقضت السندات

الأصلية أصلاً إذا زاد باقتطاع الفائدة.

① Bonds السندات (طويلة الأجل).

نفس الكيفية لكن مع فائدة.

تمسرها الشركات والحكومة لأسهم بحاجة طمهياري

وبالتالي يكونوا borrowers في السوق يستقروضوا

lenders ← أي يستقروا

② Common stock الأسهم العادية

الاستثمار في الأسهم العادية بغير مالك بعدد الأسهم.

(كل شخص مملوك لكن بعدد الأسهم).

Receiving dividend توزيع الأرباح

③ Preferred stock الأسهم المفضلة

فيها هناك السند والسهم المفضل
 شريك مساهم في الشركة
 أول ما يتلقى الأرباح بعد دفع الأرباح
 ولها أولوية على الأسهم العادية
 بالحق في اختيار مديرين الشركة

مثال على ذلك

Lakeview industries, a major microprocessor manufacturer has issued a 9 percent coupon interest rate, 20 years bond with a 1000 par value that pays interest semiannually

- Investors who buy this bond receive the contractual right to 9% annual interest (9% coupon interest rate x 1000 par value) distributed as 4.5% at the end of each 6 months ($\frac{1}{2} \times 90\$$) for 20 years

- Investors are also entitled to the 1000 par value at the end of year 20.

كل ما يجب أن يكون له في السند (par value) 1000 دولار إلا إذا

① إذا كان السند مضموناً

وكانت coupon rate ويكون حسب السوق (دفع فائدة للمستثمرين)

term وفترته الاستحقاق

② عدد سنوات وجوده في السوق

عادة تدفع مرتين بالسنة

(cost of borrowing)

$$\text{Coupon payment} = \text{Par value} \times \text{coupon rate}$$

$$90 = 1000 \times \frac{9}{100}$$

$$\text{Coupon payment semiannually} = \frac{1}{2} \times 90\$ = 45$$

Broker markets :-

* هو عبارة عن وسيط بين الـ **seller** (البائع) و الـ **buyer** (المشتري)

أي أن المشتري شركة لا تملك المنتج مباشرة، وإنما يشتريه من شركة الوسيط **broker** (الوسيط) الذي بدوره يشتريه من الشركة المنتجة. فالشركة المنتجة لا تبيع منتجاتها مباشرة، بل تبيعها للشركة الوسيطة، التي بدورها تبيعها للشركة المشتري. فالشركة المنتجة لا تبيع منتجاتها مباشرة، بل تبيعها للشركة الوسيطة، التي بدورها تبيعها للشركة المشتري.

Dealer markets :-

هنا يكون المشتري يتعامل مباشرة مع المنتج (البائع) وليس مع الوسيط (broker).
(market makers) (المنتجين)

بني الوسيط ← **bid price** (Buy) (بشركة المشتري)

← **ask price** (sell) (بشركة المنتج)

يعني الفرق بين الاثنين هو الربح (spread)

* International capital market :-

هنا هو سوق الأوراق المالية العالمية (سوق خارج البلاد)

① Eurobond market :- (سوق السندات الأوروبية)
(governments typically issue bonds denominated in dollars and sell them to investors located outside the united states)

② Foreign bond market :- (سوق السندات الأجنبية)
(market for bonds issued by a foreign corporation that is denominated in the investor's home currency and sold in the investor's home market)

③ International equity market :- (سوق الأسهم العالمية)
(allows corporations to sell blocks of shares to investors in a number of different countries simultaneously)

* The role of capital market :-

* liquid market

* be efficient market

(كفاءة السوق)
 ~~سوق~~
 ~~يعني~~
 ~~أخبار~~
 ~~الشركة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~
 ~~كما~~
 ~~شركة~~
 ~~تتغير~~
 ~~أرباحها~~
 ~~بالتالي~~
 ~~أخبار~~
 ~~صحيحة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~

un efficient market =>

طالبتهم أرباح الشركة بالتالي ربح قليل جداً

* behavioral finance (القول والعقل)

يعني في كل عام بدراسة نفسية المستثمرين ويتوقع أنها ستتغير بس بتتغير
 وتغيرها لفترة طويلة (دراسة نفسية) المستثمرين وزيادة تشجيعهم لشرائها
 أكثر من أن يسهل هذا دراسة

* Regulation of financial institutions تنظيم المؤسسات المالية Federal Deposit Insurance corporation (FDIC) المؤسسة الاتحادية للتأمين على الودائع

provide insurance for deposits at
 banks and maintains banks to ensure their safety and soundness
 ~~في~~
 ~~الولايات المتحدة~~
 ~~للتأمين~~
 ~~للمودائع~~
 ~~(في كل دولة)~~
 ~~للعالم)~~
 ~~والتأمين~~
 ~~على~~
 ~~الودائع~~
 ~~وأنه~~
 ~~كل~~
 ~~شيء~~
 ~~ما~~
 ~~يحدث~~
 ~~بهم~~

Security exchange commission (SEC)
 ~~في~~
 ~~لوحها~~
 ~~كل~~
 ~~بعض~~
 ~~شئ~~
 ~~في~~
 ~~الولايات المتحدة~~
 ~~(10,000 \$)~~
 ~~في~~
 ~~حال~~
 ~~أنه~~
 ~~تتغير~~
 ~~أرباحها~~
 ~~بالتالي~~
 ~~أخبار~~
 ~~صحيحة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~
 ~~كما~~
 ~~شركة~~
 ~~تتغير~~
 ~~أرباحها~~
 ~~بالتالي~~
 ~~أخبار~~
 ~~صحيحة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~

primary government agency for enforcing federal securities laws.
 ~~تتغير~~
 ~~أرباحها~~
 ~~بالتالي~~
 ~~أخبار~~
 ~~صحيحة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~
 ~~كما~~
 ~~شركة~~
 ~~تتغير~~
 ~~أرباحها~~
 ~~بالتالي~~
 ~~أخبار~~
 ~~صحيحة~~
 ~~تتغير~~
 ~~في~~
 ~~سعر~~
 ~~السهم~~

Business taxes الضرائب

أي شركة أو أي شخص يدفع ضريبة (ضريبة الدخل) تكون حسب الدول وتختلف ما دولة إلى أخرى.

* the income of sole proprietorships and partnerships is taxed as the income of the individual owners

يعني الشركة single taxation بتدفع الضرائب على دخل الشركة.
(شخص يستغل بالشركة ما يدفع ضريبة ما رايش وما يصير في أربع لشركة) يعني دخل الشركة بتدفع للشركة.

نوعين للدخل - All business can earn 2 types of incomes

① ordinary income

يعني كل اشي يستعمله كلانو جميع الارباح بتدفع عليها ضريبة.
حتى لورج ٥ دولارات بتدفع ضريبة

② Capital gains

أنا شريت سهم ٥ دولارات وبعته بـ ١٠ دولارات
أدفع ضريبة على الفرق ٥ دولارات (افقية السعر)

* القوائم بتغير كل فترة وفترة.

* الكال فيز

Rate tax (قاعدة ضريبة) - هو الأساس

marginal rate معدل الهامش

مثال

Webster Manufacturing Inc. has before tax earning of

250 000

← بناء على الجدول في الكتاب

شركة قبل الضريبة بتعمل ربح 250 000

$$\text{Tax} = 22 500 + 0.39 \times (250 000 - 100 000)$$

$$= 22 500 + 0.39 \times (150 000)$$

What are Webster manufacturing and average tax rates:-

Marginal tax rate = 39%

← Average tax rate = ~~80750 / 250000~~

80750 / 250000 ← Before taxes
= 32.3%

~~Business~~ Business Taxation

↙
Marginal tax
Rate

↘
Average tax
Rate

Interest and Dividend income 8- (توزيعات الأرباح)

لشركات فقط 70% ← هذا الأرباح غير موجود عليها ضريبة

أي شركة تستثمر في شركات أخرى وضريبة طرحة إعفاء
ضريبة أرباحها فقط على توزيع الأرباح.

~~double taxation~~

Tax deductible expenses 8-

* التي يمكن أن تقلل من الأرباح expenses

Debt Co.

No Debt Co.

• 200 000

200 000

قبل الفريضة والضرائب
(before interest and taxes)

• 30 000

0

↓
الفوائد

170 000

200 000

(Interest expense)

(200 000 - 30 000)

(200 000 - 0)

↓
قبل الفريضة

68 000

80 000

(before taxes)

(40% x 170 000)

(40% x 200 000)

↓
الفريضة 1.40
taxes

102 000

120 000

earning after taxes

(170 000 - 68 000)

(200 000 - 80 000)

18 000

الشركة التي لم تدفع ضريبة

يقدّر أن يجرب 18 000

Capital gain - شري سبر وبيع غير شري

(أفريقية الحرا)

الفرق بين شرائه وبيع

مثال

Ross company has just sold for 150 000 and asset that was purchased 2 years ago for 125 000. Because the asset was sold for more than its initial purchase price there's a capital gain of 25 000 (150 000 - 125 000).

با عو 150 000، واشترى قبل 125 000

25 000

يعني بلعاب 'الربح' capital gain

Corporate taxes XY enterprises, Inc. had operating earning 280000 for the year just ended. During the year, the firm sold stock that it held in another company for 180000, which was the purchase price of 150000 paid 1 year earlier

① What is the amount if any of capital gains realized during the year?

$$\begin{aligned}\text{Capital gain} &= \text{sale price} - \text{original purchase price} \\ &= 180000 - 150000 \\ &= 30000\end{aligned}$$

② How much total taxable income did the firm earn during the year?

$$\begin{aligned}\text{total taxable income} &= \text{operating earning} + \text{capital gain} \\ &= 280000 + 30000 \\ &= 310000 \$\end{aligned}$$

③ Use the corporate tax rate schedule given in table 1.4 to calculate the firm's total taxes due?

$$\begin{aligned}\text{total tax due} &= 22250 + 39\% \times (310000 - 100000) \\ &= 22250 + 81900 \\ &= 104,150.\end{aligned}$$

مجموع الدخل الخاضع للضريبة 280000 واستثماري
مجموع كائنة باعنا 180000 وكانت
مجموع 150000

Chapters (3)

Financial statements and Ratio Analysis.

* The stockholders report

(Annual report)

كل أفرقة يجب أن تقوم بإعداد تقرير سنوي يوضح الأرباح والخسائر والبيانات
ويكون ذلك من خلال عدة طرق.

① GAAP (generally accepted accounting principles)

(مبادئ المحاسبة المقبولة عمومًا)

the practice and procedure guidelines used to prepare and maintain financial records and reports, authorized by (FASB).

• FASB → Financial Accounting Standards Board. (مجلس المحاسبة المالية)

تقوم بوضع القوانين والمبادئ في GAAP من أجل توحيد القوائم المالية.

② FASB (Financial accounting standards Board)

هيئة لوضع القوائم المالية في العالم وتقوم بتطوير GAAP.

~~GAAP~~

(نظم الأرباح)

③ PCAOB (Public company accounting oversight Board).

مجلس إدارة شركة المحاسبة العامة.

(non-profit corporation) ← منظمة غير ربحية

SEC (Securities and exchange commission)

← هيئة تنظيم الأوراق المالية (مجلس الأوراق المالية)

stockholders report → summarizes and documents the

firm's financial activities. (تقرير المساهمين الذي يلخص ويوثق الأنشطة المالية للشركة)

① Income Statement - قائمة الدخل

provide the financial summary of ~~the firm~~ a company's operating results during a specified period

يعرضها في شكل ملخص مالي ونتائجها في القوائم المالية

* ~~quarterly~~ quarterly (ربعي كل سنة) ← ~~إجمالي~~ إجمالي
 * ~~annually~~ annually (سنوي) ← ~~إجمالي~~ إجمالي
 * ~~monthly~~ monthly (كل شهر) ← ~~إجمالي~~ إجمالي

* Revenue و Sales الفرق بين

تكون للمبيعات و sales (مبيعات) revenues (الدخل) تكون ~~المبيعات~~ (المبيعات)

* Sales ~~Price~~ = Price x number of products sold
 ↑ ↑ Sales أما Revenue تكون واحدة

cost of goods sold → raw material (المواد الخام)
 ↳ labors (العمالة)
 ↳ manufacturing overhead (التصنيع)
 (cost of goods sold) ↑ بجمع عناصر أحدها

* Sales Revenue - Cost of goods sold = Gross Profit

Operating expenses (تكاليف تشغيلية)

- ↳ ① Selling expenses → مبيعات
- ② General and administrative expenses → مبيعات، إدارية
- ③ Lease expense → استئجار
- ④ depreciation expense → الاستهلاك (استهلاك)

- ⑤ Marketing (promotion expense) (نفقات الترويج)
 ⑥ Research expense (نفقات البحث)

بجزر كل ما يلي من أجيب ← operating expense

$$\text{Total operating expense} = ① + ② + ③ + ④ + ⑤$$

* Operating profits = Gross Profits - Total operating expense

* Interest expense ⇒ مصاريف، فوائد

* Net profit before taxes = Operating profits - Interest expense

* Net profit after taxes = Net profit before taxes - Taxes

الربح قبل الضريبة

* في حالة تم خصم الضرائب كنسبة مئوية من الربح قبل الضريبة
 Net profit before taxes

preferred stock dividends ⇒ أرباح الأسهم المفضلة

* Earnings available for common stockholders = Net profit after taxes - preferred stock dividends

* حسب شروط التوزيع

* Sales revenue

- less Cost of goods sold

↳ raw material

↳ labors

↳ manufacturer

Gross profit

less operating expenses

↳ selling expenses

↳ general and administrative expenses

↳ Lease expenses

↳ depreciation expenses

~~Total operating expense~~

↳ Total operating expense

operating profits

Less: interest expense

Net Profit before taxes

Less taxes

Net Profit after taxes

Less preferred stock dividends

Earning available for common stockholders

② Balance Sheet 8- (أو الميزانية)

summary of a firm's financial position at a given point in time.

(أو هي الشركة في لحظة معينة)

(liabilities) (أو ديون) (debt) (أو ديون) (assets) (أو أصول)

$$* \text{ Asset} = \text{Liability} + \text{equity}$$

(أو أصول) = (أو ديون) + (أو حقوق)

• Assets :-

→ current assets

→ Fixed assets

- * Cash (أو النقد)
- * marketable securities (أو الأوراق المالية)
- * account receivable (أو الحسابات المستحقة)
- * Inventories (أو المخزون)

- raw material (أو مواد خام)
- work in progress (أو قيد التصنيع)
- finished goods (أو جاهزة للبيع)

→ Total current assets *

- * Land and buildings (أو المباني)
- * Furniture and fixtures (أو الأثاث)
- * Machinery and equipment (أو الآلات والأدوات)
- * Vehicles (أو السيارات)
- * Other (أو أخرى)

↳ (includes financial leases)

→ Total gross fixed assets

117750

* Net fixed assets = total gross fixed assets - Accumulated depreciation (income statement) in

* Total assets = total current assets + net fixed assets

• Liabilities and stockholders Equity :-

- Account payable
- Notes payable
- Accruals
- total current liabilities
- Long term debt
- bonds
- mortgage
- Total liabilities

Accruals:-
① Tax payable
② Wages
③ Salaries

Equity :-

① Preferred stock

→ cumulative

→ par value

→ shares

$$1000 \times 5 = 5000$$

(1,000\$)

2,153

② Common stock

→ par value

→ outstanding

③ Paid in capital in excess

$$\text{current price} - \text{par value} = \text{paid in capital}$$

④ Retained earnings

↓
Total stockholders equity = ① + ② + ③ + ④

total liabilities and stockholders equity = total liabilities + total stockholders equity

③ Statement of returned earning & الأرباح المحتجزة (الاحتياطيات)

Retained earning balance	1012
+ Net Profit after taxes (income statement)	231
- Cash dividend	
• Preferred stock	10
• common stock	98
↳ total dividend paid	108
Retained earning balance	1135 \$

* Using Financial Ratios

Interested Parties.

• Ratio Analysis: التحليل النسبي (balance sheet & income statement)
involve methods of calculating and interpreting financial ratios to analyze and monitor the firm's performance
تتضمن مواد لحساب وتحليل ومراقبة أداء الشركة.

* Interested parties

- ① Shareholders
- ② Creditors
- ③ Management

Type of Ratio Comparisons أنواع مقارنات النسب

① Cross sectional analysis

بمقارنة الشركة إلى باقي الشركات في القطاع ككل
comparing the firm ratios to those of other firms in industry averages.

② Benchmarking

أقارن النتائج مع معايير واد ؟ أقارن نتائجي مع
قبل (أقارن نتائجي مع فلسطين بنيت القدس)

③ Time series analysis

وضع الشركة على مدار السنوات (تحت / انخفضت)

* Liquidity Ratios نسبة السيولة

• $\text{Current Ratio} = \frac{\text{current assets}}{\text{current liabilities}}$ (balance sheet)

* كلما زادت السيولة يكون أفضل نكنا لمعنى
لغير إذا زادت عن الزيادة لا تستعمل
تزيد الربحية.

(قدسية قدرة الشركة لها أصول) assets الى liabilities يكون خسارة.
وإذا كانت assets أقل من liabilities يكون في خسارة شركة.

• $\text{Quick Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{current liabilities}}$
(acid-test ratio)

← ح. ب. سرعة سيولة تعالينا اي cash
[أو]

$\text{cash} + \text{marketable securities} + \text{account receivable}$
current liabilities

كما زاد أفضل

* Activity Ratios -

• Inventory turnover تقاي بزيادة

كم مرة اشترى raw m. وبيعها وبيعها

$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Inventory}}$$

income statement ↗
balance sheet ↖

- Average age of inventory -

$$\rightarrow \text{Average age of inventory} = 365 \div \text{Inventory turnover}$$

- Average collection periods = $\frac{\text{Account receivable}}{\text{Average sales per day}}$

$$= \frac{\text{Account receivable}}{\frac{\text{Annual sales}}{365}} = \boxed{\frac{\text{Account receivable} \times 365}{\text{Annual sales}}}$$

- Average payment period = $\frac{\text{Account Payable}}{\text{Average purchases per day}}$

$$= \frac{\text{Account Payable}}{\frac{\text{Annual purchases}}{365}} = \boxed{\frac{\text{Account Payable} \times 365}{\text{Annual purchases}}}$$

$$\text{Total assets turnover} = \frac{\text{Sales}}{\text{Total assets}}$$

income statement ↗

current asset ↗
fixed asset ↗

* Debt Ratios - نسبة الدين

- Debt Ratio = $\frac{\text{Total liabilities}}{\text{Total asset}}$
 (نسبة الدين إلى الأصول)
 current liability + long term debt
 * كل ما قبل يكون الدين

- Debt to equity Ratio = $\frac{\text{Total liabilities}}{\text{common stock equity}}$
 (الدين مقابل حقوق الملكية)
 common stock equity

- Time interest earned Ratio = $\frac{\text{EBIT}}{\text{Interest expense}}$
 (نسبة الفائدة المدفوعة)
 (income statement)
 earning before interest and taxes
 (operating profit) - أرباح التشغيل

* Profitability Ratios -

- Gross profit margin \Rightarrow هامش الربح الإجمالي

$$\text{gross profit margin} = \frac{\text{sales} - \text{cost of goods sold}}{\text{sales}}$$

$$\text{gross profit} = \frac{\text{gross profit}}{\text{sales}}$$

كلما زاد أرباح الشركة كلما زادت نسبة الربح الإجمالي

2. Operating profit margin \Rightarrow هامش الربح التشغيلي

$$\text{operating profit margin} = \frac{\text{operating profit}}{\text{Sales}}$$

3. Net profit margin \Rightarrow هامش صافي الربح

$$\text{Net profit margin} = \frac{\text{Earning available for common stockholders}}{\text{Sales}}$$

4. Earning Per Share \Rightarrow ربحية الشريحة

$$\text{Earning Per share} = \frac{\text{Earning available for common stockholders}}{\text{Number of shares of common stock outstanding}}$$

5. Return on total assets \Rightarrow العائد على إجمالي الأصول

$$\text{ROA} = \frac{\text{Earning available for common stock}}{\text{Total assets}}$$

6. Return on equity \Rightarrow العائد على حقوق المساهمين

$$\text{ROE} = \frac{\text{Earning available for common stockholders}}{\text{Common stock equity}}$$

* Market Ratios :-

• Price/Earning Ratio (P/E) \Rightarrow نسبة السعر إلى الأرباح

$$(P/E) \text{ Ratio} = \frac{\text{Market price per share for common stock}}{\text{Earning Per share}}$$

• Market/book ratio \Rightarrow القيمة السوقية إلى القيمة الدفترية

$$(M/B) \text{ ratio} = \frac{\text{Market Price per share for common stock}}{\text{Book value for common stock}}$$

$$\text{Book value per share of common stock} = \frac{\text{Common Stock equity}}{\text{Number of shares of common stock outstanding}}$$

Market Ratios:-

Substituting the appropriate values for Bartlett company for its 2015 balance sheet we get:-

$$\text{Book value per share of common stock} = \frac{1754000}{76262} = 23$$

Substituting the Bartlett company's end of 2015 common stock price of 32.25 and its 23.00 book value per share for common stock (calculated above) into the M/B Ratio formula, we get

$$\text{M/B Ratio} = \frac{32.25}{23} = 1.40$$

* Complete the 2012 balance sheet for O'keefe industries using the information that follows it.
 O'keefe industries Balance sheet December 31, 2012
 Assets Liabilities and stockholder equity.

cash	\$32,720	Account Payable	120,000
Market securities	25,000	Notes payable	160,000
Account receivable	197,580	accruals	200,000
Inventories	225,000	total current liabilities	300,000
total current assets	480,000	long term debt	\$600,000
Net fixed assets	1,020,000	stockholders equity	600,000
total assets	1,500,000	total liabilities and stockholders equity	1,500,000

the following financial data for 2012 are also available

- ① Sales totaled 1,800,000
- ② the gross profit margin was 25%.
- ③ Inventory turnover was 6.0
- ④ There are 365 days in the year
- ⑤ The average collection period was 40 days
- ⑥ the current ratio 1.60.
- ⑦ The total asset turnover ratio was 1.20.
- ⑧ The debt ratio was 60%.

• ② gross profit = sales - cost of good sold
 با جزئیات با کسب و کار، با کسب و کار

$$25\% \times 1,800,000$$

* Account Receivable :-

③
$$\text{Average collection period} = \frac{\text{Account Receivable}}{(\text{sales} \div 365)}$$

$$40 = \frac{\text{A.R}}{1800000 \div 365}$$

$$40 = \frac{\text{Account Receivable}}{4,932}$$

$$40 \times 4932 = \text{A.R}$$

$$\text{A.R} = 197280$$

* Inventories :-

③
$$\text{Inventory turnover} = \frac{\text{Cost of goods sold}}{\text{Inventory}}$$

gross profit = sales - cost of good sold

$$450000 = 1800000 - \text{cost of goods sold}$$

$$1800000 - 1350000$$

$$\text{cost of good sold} = 1350000$$

$$\frac{6}{1} \times \text{Inventory} = \frac{1350000}{6}$$

$$6 \times \text{inventory} = \frac{1350000}{6}$$

$$\text{Inventory} = 225000$$

* Total current assets :-

Total current assets = cash + marketable securities +
account receivable + inventories

$$= 32720 + 25000 + 197280 + 22500$$

$$= 480000$$

* Net Fixed assets :-

Total assets = total current assets + net fixed assets

$$1500000 = 480000$$

$$- 480000$$

$$- 480000$$

$$\text{net fixed assets} = 1020000$$

* Total assets :-

Total turnover assets = sales

$$\frac{\text{total assets}}{1.20} = 1800000$$

$$1.20 \times 1800000 = 2160000$$

$$\text{total assets} = 1800000$$

$$= 1500000 \$$$

* Notes Payable

current liabilities = Account payable + accruals + notes payable

$$300000 = 120000 + 20000$$

$$300000 = 140000 + \text{notes payable}$$

$$- 140000$$

$$- 140000$$

$$\text{notes payable} = 160000$$

* total current liabilities

المطلوبات الجارية

debt ratio

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$1.6 = \frac{480000}{\text{current liabilities}}$$

$$\text{current liabilities} = \frac{480000}{1.6}$$

$$\text{current liabilities} = 300000$$

* long term debt -

$$\text{Debt Ratio} = \frac{\text{total liabilities}}{\text{total assets}}$$

$$0.60 = \frac{\text{total liabilities}}{1500000}$$

$$\text{total liabilities} = 1500000 \times 0.60$$

$$\text{Total liabilities} = 0.6 \times 1500000$$

$$= 900000$$

$$\text{total liability} - \text{current liabilities} = \text{Long term debt}$$

$$900000 - 300000 =$$

$$\text{Long term debt} = 600000$$

total liabilities and stockholders equity =

$$= \text{total liabilities} + \text{stockholders equity}$$

$$= 900000 + 600000$$

$$= 1500000$$

Chapter 48-

* Analysing the firm cash flow :-

تحليل التدفقات النقدية (كم يزيد أو ينقص).

* Depreciation :- (مبلغ من التكلفة) . الا صلاحي .

The portion of the costs of fixed assets.

تقلص من اموال الشركة و التكاليف الثابتة.

(MACRS)

accelerated cost recovery system

→ * Depreciation value = Full price cost + installation cost

*** Ex ***

Baker corporation acquired ^{شراء} a new machine at a cost of 38,000 \$ with installation cost of 2000 \$ when the machine is retired from service, Baker expects that it will sell it for ~~2000~~ scrap metal and receive 1,000 \$

→ What is the depreciable value of this machine?

$$\begin{aligned}\text{Depreciation value} &= 38000 + 2000 \\ &= 40000 \$\end{aligned}$$

Year	Cost(1)	Percentages(2)	Depreciation (1x2)
1	40000	20%	8000
2	40000	32	12800
3	40000	19	7600
4	40000	12	4800
5	40000	12	4800
6	40000	5	2000
		100%	40000



نطوع.. عطاء

Baker corporation acquired for an installed cost of 40,000 \$ a machine have a recovery period of 5 years, using the applicable MACRS rates the depreciation expense each year is as follows. ← سؤال، جدول، سابقه

* غنايل 5 سنين نزديسة صحت :-

الصفحة	1	2	3	4	5	6
(بداية السنة)	0	1	2	3	4	5

* Developing the cash flow statement :-

→ the firm's cash flow over a given period of time. فئات، لتقيد

- three categories

[1] Operating flows & cash flows directly related to sale and production of the firm's products and services.

[2] Investment flows & ~~cash flows that result from debt~~ cash flows associated with purchase and sale of both fixed assets and equity investments in other firms.

[3] Financing flows & cash flows that result from debt and equity financing transactions, include Incurrence and ~~equity~~ repayment of debt, cash inflow from the sale of stock, and cash outflows to repurchase stock or pay cash dividends.

* Inflows and outflows of cash :-

- Inflows - (sources) (زاد الكاشر (دخل على الشركة مادي).

Decrease in any assets سيج ارجو / سيج بزيادة

Increase in any liability كل ما يزيد الدين، كاش، يزيد

Net profit after taxes الأرباح السنوية

Depreciation and other noncash charges

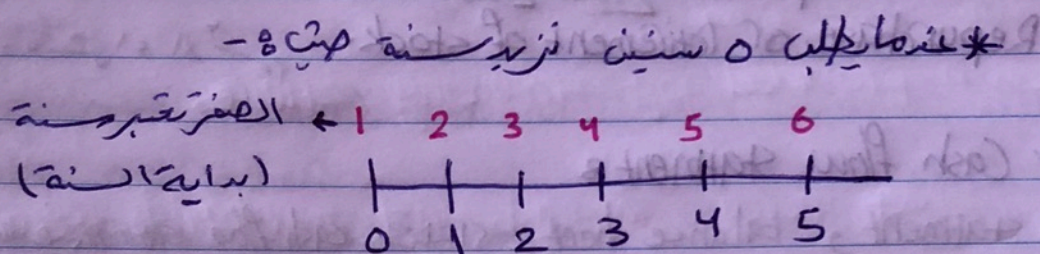
Sale of stock

نضحية.. فداء



نظام.. عطاء

Baker corporation acquired for an installed cost of 40,000\$ a machine have a recovery period of 5 years, using the applicable MACRS rates the depreciation expense each year is as follows. ← سؤال، جدول، سابقه



* Developing the cash flow statement :-

→ the firm's cash flow over a given period of time. ← لفترات، لوقت

- three categories

[1] Operating flows & cash flows directly related to sale and production of the firms products and services.

[2] Investment flows & ~~cash flows that result from debt~~ cash flows associated with purchase and sale of both fixed assets and equity investments in other firms.

[3] Financing flows & cash flows that result from debt and equity financing transactions, include Incurrence and ~~equity financing~~ repayment of debt, cash inflow from the sale of stock, and cash outflows to repurchase stock or pay cash dividends.

* Inflows and outflows of cash :-

- Inflows - (sources) (زاد، انكاش (دخل على الشركة مادي).

Decrease in any assets (سجأ، ربح / سجأ، فائدة)

Increase in any liability (كل ما يزيد الدين، انكاش، تزيد)

Net profit after taxes (الأرباح السنوية)

Depreciation and other noncash charges

outflow (uses). **ايفلا (استخدامات)**

Increase in any assets **زيادة في الأصول**

Decrease in any liability **انخفاض في الإلتزامات**

Not-loss after taxes **خسارة بعد الضرائب**

Dividends paid **توزيع الأرباح**

Repurchase or retirement of stock **معاودة شراء الأسهم**

* Cash flow statement

income statement و balance sheet **لبيان cash flow statement**

~~cash flow statement~~

sales revenue

Income statement

Less Cost of goods sold

Gross profit

Less Operating expense.

(selling, general, and administrative expense)

Depreciation expense

Total operating expense

Earning before interest and taxes (EBIT)

Less Interest expense

Net profit before taxes

Less Taxes (rate 40%)

Net profit after taxes

Less preferred stock dividends

Earning available for common stock holders

Earning per share (EPS)^a

Cash and marketable securities ← Balance Sheet

Account receivable

Inventories

Total current assets

land and building

Machinery and equipment, furniture and
fixtures, vehicles and other.

Total gross profit assets (at cost).

Less: Accumulated depreciation

Net fixed assets.

Total assets.

* Cash flow operating activities :-

Net Profit after taxes

Depreciation

Decrease in account receivable

Decrease in inventories.

Increase in account payable

Decrease in accounts

Cash provided by ~~investment~~ operating activities.

* Cash flow from investment activities :-

Increase in gross fixed assets.

Change in equity investments in other firms.

Cash provided by Investment activities.

* Cash flow from financing activities

Decrease in notes payable

Increase in longterm debt

Change in stockholders equity

Dividends paid

Cash provided by financing activities

→ *Net Increase in cash and marketable securities.

• Operating cash flow (OCF)

التدفق النقدي التشغيلي

- T (Taxes)

- NOPAT = (net operating profits after taxes)

- EPIT = (earning before interest and taxes)

$$NOPAT = EBIT \times (1 - T)$$

$$OCF \rightarrow NOPAT + \text{Depreciation}$$

$$\rightarrow EPIT \times (1 - T) + \text{Depreciation}$$

Substituting for Baker Corporation, we get:-

Depreciation (100)

$$EBIT = 370 \$$$

$$T = 40\%$$

$$OCF = EPIT \times (1 - T) + \text{Depreciation}$$

$$= 370 \times (1 - .40) + 100$$

$$100 = 370$$

* Free cash flows -
(FCF)

$$FCF = OCF - NFAI - NCAI$$

OCF \Rightarrow operating cash flow

NFAI \Rightarrow net fixed assets investment.

NCAI \Rightarrow net current assets investment. (cash, marketable securities...)

NFAI = Change in net fixed assets + Depreciation.

~~NCAI~~

NCAI = Change in current assets - change in (accounts payable + accruals)

The financial planning process - *عملية التخطيط المالي*

(long term - short term) *المخطط طويل المدى - المخطط قصير المدى*

- cash planning involves the preparation of the firm's cash budget
- profit planning involves preparation of pro forma statements

المخطط المالي طويل المدى - المخطط المالي قصير المدى
* long term (strategic) financial plan
ranging from 2 to 10 years.

Subject to high degree of operating uncertainty. (*مخطط مالي طويل المدى*)
production and marketing plans, *مخطط الإنتاج والتسويق*

Financial activities:-

Long-term financial plans consider a number of financial activities:-

- proposed fixed assets investment
- Research and development activities
- Marketing and product development
- Sources of financing
- Capital structure

* Short term operating financial plans:-

1- 2 years.

Sales forecast

