

... * Finance is plunces everything that firms do

Finances The scine 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 والشركات الفانيس تساعدك على كيفية -

① الحصول على الأموال

② تخزينها

③ استثمارها المحزون.

get → save → invest

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

... * Techniques finance help you for -

1 better financial decision

2 understand the financial consequences you will face.

أساليب الفانيس تساعدك على:

① اتخاذ القرارات

② مواجهة العواقب والمخاطر وكيفية التعامل معها

... * Career opportunities in finances - (فرص العمل للفانيس)

(موظفًا / موظفة)

Financial services

managerial finance (المدير المالي)

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

concerned the duties of the financial manager in a business

(يركز بالواجبات التي على المدير)

المالي في الشركة

نضحية.. فداء

نطوع.. عطاء



وظيفة الفانيس هي
الأساس في طريقة ومكان العمل
المالية

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(هو مفتاح القرارات)

••• * Techniques finance help you for :-

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① إتخاذ القرارات
② مواجهة العواقب وإيجاد حلول وكيفية التعرف عليها

••• * Career opportunities in finance :-

(موظف على رأسه)

Financial services

managerial finance (المدير المالي)

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

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بالواجبات التي على مدير



* Financial services -

يجب أن تقدم الخدمة بشكل ممتاز

و محترم ويكون لها حيزاً يعجزها.

* « موظفوا بنك مثلاً يجب أن يكون له

زخاير رسمي وتقدم الخدمة بشكل محترم

للزبائن لتعود بالرضى.

* Managerial Finance وظيفة

هو عبارة عن إدارة الشؤون المالية (Financial Manager)

Financial Affairs

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

شخص يدير الشؤون المالية بشان و يتم بالأشهر الحالية
للدولة بعض النظم ان كان بالدولة شركة عامة أو خاصة،
كانت لشركة صغيرة أم كبيرة أو لشركة 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

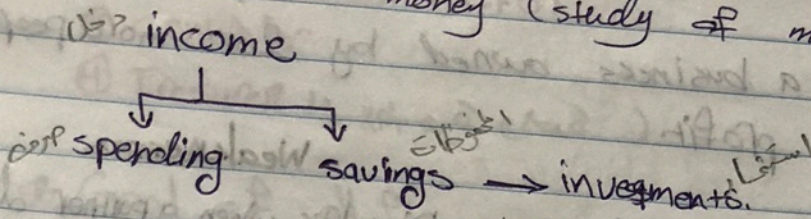
become more importance and complexity

because the globalization increase

in financial crisis an subsequent responses *

Chapter 1 (The Role of Managerial Finance) دور الإدارة المالية

Finance 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: concerned with duties of financial manager working in a business
- 2) Financial manager administers 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. (شراكة)

Strengths

Weaknesses

- Raise more funds than solo proprietorship
- More brain power and managerial skills.
- Borrowing power enhanced by more owners
- Income included and taxed on partners personal tax returns.
- Dissolves when a partner dies
- Difficult to liquidate transfer partnership
- Owners have unlimited liabilities and may have to over depts of other owners

③ Corporation is an entity created by Law. (شركة)
 (Can sue / be sued / make contracts / inquire property) ~~readiness~~

Strengths

Weaknesses

- 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
- 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

Vicepresident Finance (CFO)

Controller

نضحية.. فداء



نطوع.. عطاء

مؤهل في الامور
 اى صيغ
 افضل من انبر الحلات

المؤهل في الامور
 الحقيقية
 (السيولة)

أرباح الشركة
 توزيعها
 بين الملاك
 وفقاً
 لعدد
 الأسهم
 التي
 يمتلكها
 كل
 مساهم
 في
 الشركة
 (مبدأ
 المشاركة
 في
 الأرباح)

☛ 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 الثروة)

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 (i)

③ Stakeholders

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

☛ 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, suppliers, creditors and others who have direct economic link to the firm.

* The role of business ethics :- (الأخلاقيات)

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 Fawed
- 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

Profit Maximization

Price theory

Managerial Marginal cost-Benefit analysis (cost - Profit)

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.
 - d. economics.

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 profit $\Rightarrow 7,000 - 6,000 = 1,000$

* 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 (allies and managers)

- Corporate Governance refers to rules, processes and laws by which companies are operated, 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)

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

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

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

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

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

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

$MB = 325000 - 125000$
 $= 200000$

$MC = 250000 - 55000$
 $= 195000$

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

Accounting view \Rightarrow (accrual basis) \leftarrow $\text{مقياس الأرباح في الحسابات}$

Financial view \Rightarrow (cash basis) \leftarrow $\text{مقياس الأرباح في الحسابات المالية}$

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 ←

(b) Cash receipts = 690,000

cost of good sold 300,000 ←

Net cash flow = 390,000 ←

شخصی شتری کتب 300,000 دلار با 760,000 دلار از تمام در بیخ دفتر کاش
 با 690,000 (میل \$ 70,000) ، 760,000 دلار ال 760,000
 یا الفانسی ریل 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 dollars) 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 تسمى 560000 ←
 عمرها 5 سنين، هذا الروبوت يرج يعطي للشركة \$ 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

$$\begin{aligned} \text{Marginal benefit} &= \text{MB of original robots} - \text{MB of proposed robot} \\ &= 560000 - 400000 \quad / \quad 300000 - 200000 \\ &= 160000 \$ \quad / \quad = 100000 \end{aligned}$$

② * the marginal cost of new robotics

$$\begin{aligned} \text{MC of new robot} - \text{Sales price of current robot} \\ &= 220000 - 70000 \quad / \quad 200000 - 55000 \\ &= 150000 \$ \quad / \quad = 145000 \end{aligned}$$

③ Net benefits of new robotics

$$\begin{aligned} &= \text{MB} - \text{MC} \\ &= 160000 - 150000 \\ &= \underline{10000} \$ \end{aligned}$$

بناءً على الحسابات يتبين الروبوت
 بما أن NB أكثر من واحد تقبل

$$= 100000 - 145000$$

Chapter 2

The Financial Market Environment

الأسواق المالية العالمية

أدوية شركة عندما تحتاج ربحاً لتبني لمنتجاتها ← external ← من خارج الشركة
 ← internal ← من داخلها أو
 من الشركة نفسها

* external sources

- ① Financial institution ⇒ مؤسسات مالية مثل (البنوك)
- ② Financial markets ⇒ الأسواق المالية مثل (بورصة)
- ③ private placement ⇒ لجهات معينة.

* ① Financial institution ⇒ (وسيط بين المورد والعميل) (تعمل قروضاً أو اذونات) الوظيفية الرئيسية للبنك هي الودائع (accept deposits) أما الوظيفة الثانية فهي تحويل الودائع إلى قروض أكثر مما يملكها القروض هي ~~الوظيفة~~ businesses ثم تحويل للشركات.
 * معظم القروض يتروح للبائعين

* Commercial banks:-

provide savers يضع أموالهم في البنك ويحصل على فوائد
 offer loans to individual and businesses لأغراض قروض الأفراد والأعمال

* Investment Banks

- ① assist companies in raising capital → وظيفة لا سيئة
- ② advise firms on major... تقسيم المشاريع خاصة إذا كانت يومية إعادة بناء مشاريع
- ③ engage in trading and market التفاعل في أنشطة السوق

* Shadow banking system

- ① engage in lending activities • تقوم بالقروض
 - ② don't accept deposits • ما يتقبل الودائع
 - ③ aren't the same regulations as traditional Banks • لا تخضع لنفس القوانين كما هي
- جارية خاصة بقطاع خاص

* ② Financial markets (السوق المالي (البورصة)

هو مكان ينظم العلاقة بين suppliers مع demanders ويتكبد بها من
المرشدين الماليين إلى مستشاري الاستثمار

- * short term marketable
- ① money market
- ② capital market

(أدوات مالية قابلة للتداول قصيرة الأجل)
يوجد طريقتين للاستثمار

* Private placement (خاصة بالأسواق)

يتم بيعها لمستثمرين معروفين أو لجهة ذات صلة بجهة الإصدار

↓
طريقتان لبيعها: private placement و public offering

قسمين ← primary (أوليات) و secondary (ثانويات)

أوليات: مبيعات الشركة وتحويلها من خاص إلى عام
ثانويات: أي أداة مالية أي شخص يبيعها في السوق
(الأسهم التي يتم تداولها بين المستثمرين)

Money

The ~~capital~~ market

عبارتنا أدوات كل ما عدا النقد لفترة قصيرة (من 30 إلى 90 يوم)

① Treasury bills (سندات حكومية)

② Commercial Paper (أوراق مالية)

③ negotiable certificates of deposit (ودائع قابلة للتداول)

① Eurocurrency market
 استخدام الدولار الأمريكي خارج أمريكا.
 (الودائع بالدولار الأمريكي خارج أمريكا).

وديعة الأجل ← Time deposits (short term)

* Capital market :-

Long term funds (طويل الأجل)

① Bond السندات

② Common stock الأسهم العادية

③ Preferred stock الأسهم المفضلة. (كل شخص يملك بعدد الأسهم).
 أرباح

debt + equity
 (bond) (stock)
 ديون + حقوق الملكية
 (السندات) (الأسهم)

استثمرت 100 دولار في السندات

بعت 100 دولار

في حالة الأسهم 100 دولار باقية و 10 دولار من

per value ما اختلف يعني إذا انخفضت أسعار

الأصلية أصلاً إذا زاد باقية الفائدة.

① Bonds السندات (طويل الأجل).

نفس الكيالة لكن مع فائدة.

تتمرها الشركات والحكومة لأنها بحاجة لمال مالي

وبالتالي يكونوا borrowers → الذين يتقترضوا

lenders → أي يستقروا

② Common stock الأسهم العادية.

الأسهم فيها العلاقات بصير مالك بعدد الأسهم.

(كل شخص يملك بعدد الأسهم).

Receiving dividend أرباح

عني السرعة بأخر السنة تكون ربحه هذا سريع يفوز على أصحاب الأسهم

3) Preferred stock الأسهم الممتازة

فيها هناك السند والسهم الممتازة
 1. par value (القيمة)
 2. شريك في الربح
 3. أولوية ما يتعلق بالاداء
 4. ولا تزيد من اسهم الشركة
 5. بالعملي ان شريك في الربح هو الدولار

Lakeview industries, a major microprocessor manufacture 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 ان يكون له في السهم (par value) 1000 دولار الا اذا
 1) ان كان السهم له ارباح

2) كان coupon rate ويكون حسب السوق (دفع فائدة للمستثمر)
 3) term وفتره الاستحقاق
 4) هل هناك موجوده 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** (الخبير) و الـ **buyer** (البايع)

أما في المشتري شركة لا يتم دفع مبالغ في شركة أو مؤسسة خاصة حيث لو كانت الشركة وتكونه لـ **broker** التوسيع والشراء كما في مثال شركة صناعة البولي إيثيلين لا يبيع بل يفتخر به في الأساس هو يفتخر به فيش ما يتغير سعرها فيكون شركة وساطة فنوا وساطة في ما يتعامل مع اذ ترا ويتعامل مع شركات له سلطة

Dealer markets :-

Broker (البيع والشراء) و **dealer** (البيع والشراء)

بني الوتو عين ← **bid price (Buy)** (بشري من باي)

← **ask price (sell)** (بيعه من باي)

يعني بشري به بيعه في الربح \downarrow (spread)

* International capital market :-

كله مشتري العالم (شركات شبع اوروبا خارج بلادها)

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

② **Foreign bond market** :- (market for bonds issue by a foreign corporation that is denominated in the investor's home currency and sold in the investor's home market (بالدولار الأمريكي))

③ **International equity market** :- (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) \Rightarrow سوق فعال \Rightarrow يعني الاختيار للشركة بتلكي في سعر السهم كما
شركة بتزود ارباحها بالتالي اخبار صحيحة بتبديها عن غيرها

un efficient market \Rightarrow

طانتخفها ارباح الشركة بالتالي ربح قليل عن غيرها

* behavioral finance

دراسة المستثمر (القول والعقول)

يعني بتسلك عام بدورها نفس المستثمرين ويتوقع انها بتتبع نفس بتدتنخفها
وتجربها لفترة طويلة (دراسة نفسية) المستثمرين وزيادة في تشجيعهم لشرائها
افضلها اناس هذا الطريقة

* 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

وتظيفتها \leftarrow \Rightarrow اعطاء التأمين للودائع (في كل دولة، العالم) ~~وتحافظ على~~ كبره
الامانة وانه كل شيء ما في قلب ما بدوهم

يعني لوها دخل بعوضونك (\$ 10,000) في حال انه تلبس امانس

Securities exchange commission (SEC)

primary government agency for enforcing federal securities laws.

تفرض القوانين للمؤسسات المالية أو مراقب منسواء المالية

(صحة أمر السوق في السوق، الفلظير)

تفرض القوانين المالية مراقب، بتو امانة

Business taxes الضرائب

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

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

يعني الشركة single taxation بتفرض الضرائب على دخل الشركة.
(شخص يتعامل بالشركة ما يدفع ضريبة من رأسه بس لما يصير في أرباح
لشركة) يعني دخل الشركة بتفرض للشركة.

نوعين للدخل - All business can earn 2 types of incomes

① ordinary income

يعني كل اشي تشتتله كل اناو جميع الأرباح بتفرض عليها ضريبة.
حتى لو ربحنا 5 دولارات بتفرض ضريبة.

② Capital gains

أنا شريت سهم بـ 5 دولارات وبعته بـ 10 دولارات
أدفع ضريبة على الفرق في السهم وهي 5 دولارات (أفرضة السعر)

* القوائيم بتغير كل فترة وفترة.

* الكلي في كل فترة *

Rate tax (قاعدة ضريبية) - من الأساس

marginal rate معدل الأساس

مثال

Webster Manufacturing Inc. has before tax earning of

250 000

← بناء على الجدول في الكتاب

شركة قبل الضريبة بتعمل ربح 250 000

$$\text{Tax} = 22500 + 0.39 \times (250000 - 100000)$$

$$= 22500 + 0.39 \times (150000)$$

$$= 22500 + 58500 = 81000$$

What are Webster manufacturing and average tax rates:-

Marginal tax rate = 39%

Average tax rate = ~~32.3%~~

$80750 / 250000$ ← Before taxes
= 32.3%

~~Business~~ Business Taxation

Marginal tax rate

Average tax rate

Interest and Dividend income (توزيعات الأرباح) - 8%

لشركات فقط 70% ← هذا الأرباح غير موجود عليها ضريبة

أي شركة تستثمر في أسهم وبيوض فودانط ما يرجع ابعثاء ضريبة تكون فقط على توزيع الأرباح الشركة.

~~double taxation~~

Tax deductible expenses

* التي الى 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)

(200000 - 30000)

(200000 - 0)

↓
قبل الفريضة
(before taxes)

68 000

80 000

↓
الفريضة 1.40
taxes

(40% x 170 000)

(40% x 200 000)

102 000

120 000

earning after taxes

(170000 - 68000)

(200000 - 80000)

18 000

الشركة التي لم تملك مقوماً وضريبياً
تعتبر أن الجبرود 18000

Capital gains - شري سبر وبيع غير نائي

(فرقية السعر)

الفرق بين سعر الشراء وسعر البيع

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)

باعتها بـ 150 000، واشترتها بـ 125 000

يعني بلإحاطة الفرق بين البيع والشراء = 25 000 ← 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 القابل للضريبة 310000 والحد الأدنى 100000
مبلغ ضريبة 22250 + 39% من (310000 - 100000) = 104,150

Chapters (3)

Financial statements and Ratio Analysis.

* The stockholders report

(Annual report)

كل أفراسة يجب أن تقوم بجد تقرير سنوي عن الأرباح والاستثمارات والبيانات
ويكون ذلك من خلال عدة طرق

① GAAP (generally accepted accounting principles)

مبادئ المحاسبة المقبولة للجميع (نظام الأرباح)

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 الأمريكي)

طور وقوانين يهتدوا بها وتسمى في GAAP من أجل أن تظهر الأرباح والتغيرات السنوية.

② FASB (Financial Accounting Standards Board)

هيئة وضع القواعد المحاسبية في العالم وتقوم بتطوير وتحديث GAAP (نظام الأرباح).

③ PCAOB (Public Company Accounting Oversight Board)

(non-profit corporation) ← منظمة غير ربحية

SEC (Securities and Exchange Commission)

← هيئة تنظيم الأسواق المالية (مراقب سوق الأوراق المالية)

stockholders report → summarizes and documents the

firm's financial activities. (تخبر المساهمين عن الحالة المالية للشركة)

① Income Statement - قائمة الدخل

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

يعرضها في شكل ملخص مالي ونتائجها في القوائم المالية

* ~~can be~~ quarterly (ربعي) ← (ربحية كل 3 أشهر)
 * ~~can be~~ annually (سنوي)
 * ~~can be~~ monthly (كل شهر / شهرياً)

* الفرق بين Sales و Revenue

تكون للمبيعات والبيعيات sales (مبيعات)
 (البنوك) تكون revenues (إيرادات)

* $\boxed{\text{Sales}} = \text{Price} \times \text{number of products sold}$
 ↑ ↑ sales أما revenue تكون جارية

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

* $\text{Sales revenue} - \text{Cost of goods sold} = \text{Gross Profits}$

Operating expenses (تكاليف تشغيلية)

- ↳ ① Selling expenses → (تكاليف المبيعات)
- ② General and administrative expenses → (تكاليف إدارية)
- ③ Lease expense → (تكاليف الإيجار)
- ④ depreciation expense → (تكاليف الاستهلاك)

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

بجزم كل ما علينا أن نجيب ← operating expense

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

$$\text{Operating profits} = \text{Gross Profits} - \text{Total operating expense}$$

* Interest expense ⇒ مصاريف، فوائد

الربح قبل الضريبة

$$\text{Net profit before taxes} = \text{Operating profits} - \text{Interest expense}$$

$$\text{Net profit after taxes} = \text{Net profit before taxes} - \text{taxes}$$

الربح بعد الضريبة

* في حالة تقسيم الأرباح taxes كنسبة مئوية فنسبة النسبة في
 Net profit before taxes

preferred stock dividends ⇒ أرباح الأسهم المفضلة

$$\text{Earning available for common stockholders} = \text{Net profit after taxes} - \text{preferred stock dividends}$$

* حسب شروط كل شركة

* 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- * (أوراق مالية)

summary of a firm's financial position at a given point in time. (أو في الشركة في وقت محدد)

↓ (debt) ↔ (asset)

* **Asset = Liability + equity** * (المستحققات = الإلتزامات + حقوق الملكية)

المستحققات
الإلتزامات
حقوق الملكية

• Assets :-

↳ current assets

↳ Fixed assets

- * Cash النقد
- * marketable securities الأوراق المالية
- * account receivable * الإلتزامات المستحقة
- * Inventories المخزون

- ↳ raw material مواد خام
- ↳ work in process في قيد الإنتاج
- ↳ finished goods جائزة للبيع

↳ Total current assets *

- * Land and buildings المبانى
- * Furniture and fixtures الأثاث
- * Machinery and equipment المكينات والأدوات
- * Vehicles السيارات
- * Other ~~(includes fixed assets)~~ أخرى

↳ (includes financial leases)

↳ Total gross fixed assets ~~(includes equity)~~

117750

Total stockholders equity

* Net fixed assets = total gross fixed assets - Accumulated depreciation

* 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

30,000

③ Paid in capital in excess

(علاوة على قيمة الأسهم)

current price - par value = paid in capital

④ Retained earnings

↓ جمع ① + ② + ③ + ④
↳ Total stockholders equity

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

③ Statement of returned earnings - الأرباح المحققة (البيان السنوي)

Retained earnings balance	1012
+ Net Profit after taxes (income statement)	231
- Cash dividends	
• Preferred stock	10
• common stock	98
↳ total dividends paid	108
Retained earnings 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

* Interested parties - الأطراف المعنية

- ① Shareholders
- ② Creditors
- ③ Management

Type of Ratio Comparisons - أنواع مقارنات النسب

① Cross sectional analysis

بمقارنة الشركة التي يهتم بها مع القطاع ككل
 comparing the firm ratios to those of other firms in industry averages.

② Benchmarking

أقارن النتائج مع الأقران واحد ؟ أقارن بتأين بعين ؟
قبل (أقارننا بين فلسطين بين الفرس)

③ Time series analysis

وضع الشركة على مدار السنوات (تحقق / التقييم)

* Liquidity Ratios

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

* كلما زادت السيولة يكون أفضل نكنا في مصعب
لغير أو الزيادة عن الزيادة لا تستهوا
تزيد الربحية.

(قدرة الشركة لها تجعل) assets أي liabilities يكون خسارة).
وإذا كانت assets أقل من liabilities يكون في خسارة الشركة.

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

← cash →

← [] →

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

كالمال أفضل

* Activity Ratios -

● $\text{Inventory turnover}$ تقاي بزيادة

كم مرة انتهي raw m. وبيعها وبيعها.

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

← income statement

← balance sheet

• Average age of inventories -

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

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

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

• Average payment period = $\frac{\text{Account payable}}{\text{Average purchases per day}}$

$$= \frac{\text{Account payable}}{\frac{\text{Annual purchases}}{365}}$$

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

← income statement

← current asset + fixed asset

* Debt Ratios - نسبة الدين

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

• $\text{Debt to equity Ratio} = \frac{\text{Total liabilities}}{\text{common stock equity}}$
 (الدين مقارناً مع المال)
 common stock equity

• $\text{Time interest earned Ratio} = \frac{\text{EBIT}}{\text{Interest expense}}$
 (income statement)
 earning before interest and taxes
 (operating profit) = الأرباح التشغيلية
 * نسبة الأرباح التشغيلية إلى نفقاتها من ائتمانية

* Profitability Ratios -

1. 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 أفضل لأنه عبارة عن نسبة

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 السهم $\frac{30}{20000}$

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

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 ~~نسبة السعر إلى القيمة~~ القيمة، التقوية السرية

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

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

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	20,000
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%.

gross profit = sales - cost of good sold
 $25\% \times 1,800,000 = 450,000 \$$

live time

* 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

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

$$1800000 - 450000$$

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

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

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

$$\text{Inventory} = 225000$$

* 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

$$1500000 = 480000$$

$$-480000 \quad -480000$$

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

* Total assets :-

ملاحظة
⑦

Total turnover assets = sales

$$1.20 \times 1800000$$

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

$$= 1500000 \$$$

* Notes Payable

current liabilities = Account payable + accruals + notes payable

$$300000 = 120000 + 20000$$

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

$$-140000 \quad -140000$$

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

* total current liabilities

المسئولية الجارية

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

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

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

current liabilities = 300000

* long term dept -

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

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

~~total liabilities = 1500000~~

Total liabilities = 0.6×1500000
= 900000

total liability - current liabilities = Long term dept
 $900000 - 300000 =$

Long term dept = 600000

total liabilities and stockholders equity =
= total liabilities + stockholders equity
= 900000 + 600000
= 1500000

Chapter 4 B-

Analyzing the firm cash flow B-

تحليل التدفقات النقدية (كم يزيد أو ينقص) وكم يتغير.

* Depreciation B- (القيمة المضافة) الا صلاح.

The portion of the costs of fixed assets.

تقلص من اموال الشركة والكسوف غير الربحي.

(MACRS)

accelerated cost recovery system

→ * Depreciation value = Full price cost + installation cost

*** Ex ***

Baker corporation ^{شركة} acquired 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

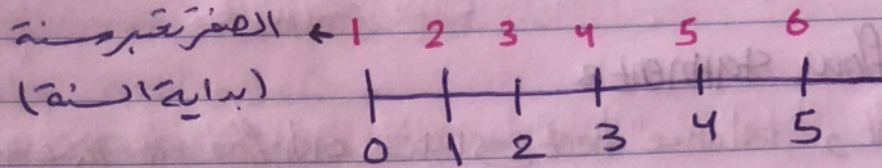


نطوع.. عطاء

100%

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

* عن طريق 5 سنين تزيد سنه صحت :-



* Developing the cash flow statement :-

↳ the firm's cash flow over a given period of time. نفقات، لتقريبه

- 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))

Decrease in any assets (سواء أرباح / سعي بمطامعة)

Increase in any liability (كل ما يزيد الدين الكاشر يزيد)

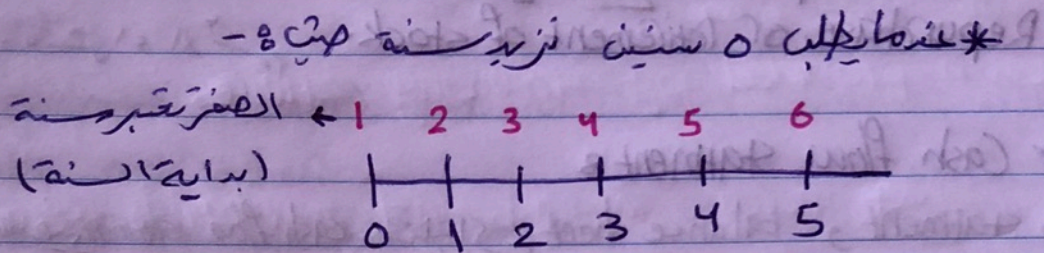
Net profit after taxes (الأرباح السنوية)

Depreciation and other noncash charges (مصاريف غير نقدية)

Sale of stock (نقدية.. فداء) (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



* Developing the cash flow statement -

↳ the firm's cash flow over a given period of time. ← لفقات، لعتبة

- 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 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 الكاشر (دخل على الشركة مادي)

Decrease in any assets ← بيع ارضنا / بيع بضاعتنا

Increase in any liability ← كل ما يزيد الدين الكاشر تزيد

Net profit after taxes ← الأرباح السنوية

Depreciation and other noncash charges

outflow (uses). **انقلاصات**

Increase in any assets **شراء**

Decrease in any liability **دفعات دين**

Not-loss after taxes **خسارة لافاء الربح**

Dividends paid **توزيع الارباح**

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

* Cash flow statements

Income statement, balance sheet, cash flow statement

~~cash flow statement~~

Sales revenue

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 stockholders

Earning per share (EPS)^a

Income statement

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 ~~accruals~~

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 long term debt

Change in stockholders equity

Dividends paid

Cash provided by financing activities

↳ * Net increase in cash and marketable securities.

• Operating cash flow (OCF)

النقد المتاح للعمليات

- T (Taxes)

- NOPAT = (net operating profits after taxes)

- EPIT = (Earning before interest and taxes)

$$\text{NOPAT} = \text{EBIT} \times (1 - T)$$

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

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

Substituting for Baker Corporation, we get:-

Depreciation (100)

EBIT = 370 \$

T = 40%

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

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

$$100 = 377$$

* 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 \Rightarrow التخطيط المالي

(long term - short term) المدى الطويل والقصير

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

* 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, خطط الإنتاج والتسويق

Financial activities-

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

- proposed fixed assets investment كم بدو، استثمار
- Research and development activities البحث والتطوير
- Marketing and product development التسويق والانتاج
- Sources of financing مصادر التمويل
- Capital structure بنية الرأسمال

* Short term operating financial plans-

1- 2 years.

Sales forecast توقعات المبيعات

