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## Course Description: Financial Management of Enterprises

### 1- Basic Information:

|                                       |                                |
|---------------------------------------|--------------------------------|
| Course Name                           | Corporate Financial Management |
| Course ID                             | BFB503                         |
| Contact Hours (Registered Sessions)   | 24                             |
| Contact Hours (Synchronized Sessions) | 24                             |
| Mid Term Exam                         | -                              |
| Exam                                  | 75 min                         |
| Registered Sessions Work Load         | 48                             |
| Synchronized Session Work Load        | 18                             |
| Credit Hours                          | 5                              |
| Course level                          | 5                              |

### 2- Pre-Requisites:

| Course                             | ID     |
|------------------------------------|--------|
| Principles of Financial Management | BFB401 |

### 3- Course General Objectives:

This course aims to provide students with the knowledge and skills to help them assess the factors that influence the choice of financing structure, and to anticipate the appropriate financing structure for company by comparing returns and risks of sources available, and to summarize the loan utilization limits in the corporate finance structure.

The course also aims to provide students with necessary knowledge and skills to predict the impact of financing structure on market value of companies, and to argue the relationship between the financial structure and financing leverage, operational leverage, lease financing and dividend policy.

The objective also extends to the knowledge and skills needed to assess financial strategic decisions such as liquidation and corporate restructuring decisions, mergers and acquisitions decisions, as well as short-term decisions based on cost analysis.

Finally, the course aims to provide students with the knowledge and skills that enable them to assess the returns on financial investments compared to their risks, including the returns and risks of portfolios, as well as to anticipate the results of investment in derivatives such as options and futures.

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#### 4- Intended Learning Outcomes (ILO):

| Code  | Intended Learning Outcomes  |
|-------|---|
| ILO1  | Remember the concept of financing structure, assess the factors influencing the financing structure decision, and predict appropriate financing structure of the company by comparing returns and risks of available financing sources, and summarize the loan utilization limits in the corporate finance structure.   |
| ILO2  | Evaluate the financial theories explaining the financing structure and judge its efficiency, predict the impact of the financing structure on the market value of companies in the presence / absence of taxes, bankruptcy or agency cost, and argue the trade-off theory of capital structure  |
| ILO3  | Remember the concepts of financial and operational leverage, distinguish between their sources and apply their measurements, evaluate the use of break-even analysis in decisions related to operating leverage, analyze the break-even map of financing sources, identify break-even points for financing sources, and discuss the relationship between operational leverage, financial leverage and total leverage. |
| ILO4  | Remember the concept of lease financing and distinguish between its types, discuss its advantages for lessor and tenant, and compare the asset leasing with each of the financing the purchase of asset by loans, financing the purchase of asset by equity, financing the purchase of asset with a combination of equity and loans, and assess the impact of leasing on balance sheet.                               |
| ILO5  | Describe mergers and acquisitions, compare their various forms, discuss the causes and explanatory theories of this phenomenon, evaluate companies for purposes of mergers, identify the difficulties of this valuation, and predict the failure of mergers.  |
| ILO6  | Describe the financial failure of companies, distinguish between financial failure, liquidation and restructuring of companies, discuss how to distribute the liquidation value of the company, and evaluate the procedures and restructuring plan.   |
| ILO7  | Evaluate and judge dividend theories, compare different dividend policies adopted by companies in practice, and discuss the forms and timing of dividends and their impact on the market price of share.  |
| ILO8  | Discuss decision-making procedures, distinguish different forms of costs, identify appropriate costs of decision-making, and evaluate short-term decisions made by companies based on cost criteria.  |
| ILO9  | Distinguish different concepts of value, apply the basic model of valuation, and evaluate the basic securities: common stock, preferred stock, bonds.   |
| ILO10 | Analysis of securities investment returns and risk (individual investment, portfolio), apply the capital asset pricing model, use the security market line and predict future returns and risks.  |
| ILO11 | Describe financial derivatives and distinguish between their types, explain how financial options contracts work, determine the profit and loss of investment for these options and predict their future prices.  |

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| <b>ILO12</b> | Explain the forward and future and swap contracts and distinguish between their types, determine the role of Clearing House in ensuring the implementation of future contracts and margin requirements, evaluate forward and future contracts, and judge the comparative advantage of swap. |
|--------------|---|

5- **Course Syllabus** (24 hours of total Recorded Sessions, 24hours of total synchronized sessions;)

- **RS:** Recorded Sessions; **SS:** Synchronized Sessions;

| ILO         | Course Syllabus  | RS | SS | Type  | Additional Notes                                    |
|-------------|--|----|----|---|---|
| <b>ILO1</b> | <b>Choice the financing structure:</b> <ul style="list-style-type: none"> <li>✓ The concept of financing structure.</li> <li>✓ Sources of financing available to companies.</li> <li>✓ Choice the appropriate financing structure for company: trade-off between return and risk.</li> <li>✓ Other factors influencing the structure of financing structure.</li> <li>✓ Evaluate the factors influencing the structure of financing structure.</li> <li>✓ Limits on the use of loans in the corporate financing structure.</li> </ul>  | 2  | 2  | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | See and compare financing structures for companies. |
| <b>ILO2</b> | <b>The effect of the financing structure on the market value of the company:</b> <ul style="list-style-type: none"> <li>✓ The impact of financing structure on the market value of company in absence of taxes, bankruptcy or agency costs.</li> <li>✓ The impact of the financing structure on the market value of company in presence of taxes.</li> <li>✓ The impact of financing structure on the market value of company in presence of bankruptcy cost.</li> <li>✓ The impact of financing structure on the market value of company in presence of agency cost.</li> </ul> | 2  | 2  | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | Review exercises before the session.                |

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|             | <ul style="list-style-type: none"> <li>✓ The static theory of capital structure and the market value of company.</li> </ul>   |   |   |   |                                      |
| <b>ILO3</b> | <p><b>Operating leverage, financial leverage and financing structure:</b></p> <ul style="list-style-type: none"> <li>✓ The concept of leverage and types.</li> <li>✓ Operating leverage.</li> <li>✓ The concept of financial leverage.</li> <li>✓ The relationship between operating leverage and financial leverage.</li> <li>✓ Total leverage and measurement method.</li> </ul>  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | Review exercises before the session. |
| <b>ILO4</b> | <p><b>Lease financing</b></p> <ul style="list-style-type: none"> <li>✓ Philosophy of lease financing.</li> <li>✓ The concept of lease financing.</li> <li>✓ Types of lease financing.</li> <li>✓ Advantages of lease financing.</li> <li>✓ The trade-off between leasing asset and financing the purchase of asset by loans.</li> <li>✓ The trade-off between leasing asset and financing the purchase of asset by equity.</li> <li>✓ The trade-off between leasing asset and financing the purchase of asset by a combination of equity and borrowing.</li> <li>✓ The impact of lease financing on the balance sheet.</li> </ul> | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | Review exercises before the session. |
| <b>ILO5</b> | <p><b>Mergers and Acquisitions</b></p> <ul style="list-style-type: none"> <li>✓ The concept of merger and</li> </ul>  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments  | Review exercises before the session. |

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|             | <p>types.</p> <ul style="list-style-type: none"> <li>✓ The concept of acquisitions and types.</li> <li>✓ Reasons for mergers and acquisitions</li> <li>✓ Theories explaining the phenomenon of mergers and acquisitions.</li> <li>✓ Valuation of companies for mergers.</li> <li>✓ Difficulties of companies valuation for mergers and acquisitions.</li> <li>✓ Failure of mergers.</li> </ul>  |   |   | <input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others   |                                      |
| <b>ILO6</b> | <p><b>Liquidation and company restructuring</b></p> <ul style="list-style-type: none"> <li>✓ Financial failure of companies.</li> <li>✓ Bankruptcy and liquidation of companies.</li> <li>✓ How to distribute the liquidation value of company.</li> <li>✓ Bankruptcy and companies restructuring.</li> <li>✓ Companies restructuring procedures.</li> <li>✓ Companies restructuring plan.</li> <li>✓ Companies restructuring by downsizing.</li> </ul> | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | Review exercises before the session. |
| <b>ILO7</b> | <p><b>Dividend policy:</b></p> <ul style="list-style-type: none"> <li>✓ Dividend theories.</li> <li>✓ Dividend policies in practice.</li> <li>✓ Forms of dividend distribution to</li> </ul>  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices                                    | Review exercises before the session. |

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|              | shareholders.<br>✓ Dividend timing.   |   |   | <input type="checkbox"/> Others  |                                      |
| <b>ILO8</b>  | <b>Costs and short-term decision making:</b><br>✓ Decision-making procedures.<br>✓ Appropriate costs to decision-making.<br>✓ Product pricing decision.<br>✓ Decision to purchase or manufacture product.<br>✓ Decision to accept order.<br>✓ Decisions regarding limited resources.<br>✓ Decisions regarding joint products and additional manufacturing decision.<br>✓ Decision to stop a lost production line. | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others  | Review exercises before the session. |
| <b>ILO9</b>  | <b>Valuation of securities:</b><br>✓ Different concepts of value.<br>✓ The basic model of valuation.<br>✓ Common stock valuation.<br>✓ Preferred stock valuation.<br>✓ Bond valuation.  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others  | Review exercises before the session. |
| <b>ILO10</b> | <b>Securities risks and returns:</b><br>✓ Definition and measurement of return.<br>✓ Definition and measurement of risk.<br>✓ Return and risk of portfolio.<br>✓ Capital asset pricing model.<br>✓ The Security Market Line (SML).  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others  | Review exercises before the session. |
| <b>ILO11</b> | <b>Derivatives management: Financial options contracts:</b><br>✓ The concept of financial derivatives.<br>✓ Types of financial derivatives.<br>✓ How do financial options contracts work?<br>✓ Determine the profits and losses for financial options contracts.<br>✓ Pricing financial options.  | 2 | 2 | <input checked="" type="checkbox"/> Exercises<br><input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others<br><input type="checkbox"/> Practices<br><input type="checkbox"/> Others | Review exercises before the session. |
| <b>ILO12</b> | <b>Derivatives management:</b>  | 2 | 2 | <input checked="" type="checkbox"/> Exercises  | Review exercises                     |

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| <b>Forward, future and swap contracts:</b> <ul style="list-style-type: none"> <li>✓ Forward and futures contracts.</li> <li>✓ The role of Clearing House in ensuring the implementation of future contracts and margin requirements.</li> <li>✓ Pricing the forward and futures contracts.</li> <li>✓ Comparison between forward and futures contracts.</li> <li>✓ Swaps contracts</li> </ul> | <input checked="" type="checkbox"/> Assignments<br><input type="checkbox"/> Seminars<br><input type="checkbox"/> Projects<br><input type="checkbox"/> Practices<br>Others | before the session. |
|---|---|---------------------|

## 6- Assessment Criteria (Related to ILOs)

|      |  |    |               |     |         |
|------|--|----|---------------|-----|---------|
| ISC  | Interactive Synchronized Collaboration     | Ex | Exams         | Rpt | Reports |
| PF2F | Presentations and Face-to-Face Assessments | PW | Practice Work |     |         |

| ILO Code | ILO   | Intended Results | Assessment Type |    |    |      |     |
|----------|---|------------------|-----------------|----|----|------|-----|
|          |   |                  | ISC             | PW | Ex | PF2F | Rpt |
| ILO1     | Remember the concept of financing structure, assess the factors influencing the financing structure decision, and predict appropriate financing structure of the company by comparing returns and risks of available financing sources, and summarize the loan utilization limits in the corporate finance structure.           |                  | X               | X  | X  |      |     |
| ILO2     | Evaluate the financial theories explaining the financing structure and judge its efficiency, predict the impact of the financing structure on the market value of companies in the presence / absence of taxes, bankruptcy or agency cost, and argue the trade-off theory of capital structure                                  |                  | X               | X  | X  |      |     |
| ILO3     | Remember the concepts of financial and operational leverage, distinguish between their sources and apply their measurements, evaluate the use of break-even analysis in decisions related to operating leverage, analyze the break-even map of financing sources, identify break-even points for financing sources, and discuss |                  | X               | X  | X  |      |     |

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|              | the relationship between operational leverage, financial leverage and total leverage.   |  |   |   |   |  |  |
| <b>ILO4</b>  | Remember the concept of lease financing and distinguish between its types, discuss its advantages for lessor and tenant, and compare the asset leasing with each of the financing the purchase of asset by loans, financing the purchase of asset by equity, financing the purchase of asset with a combination of equity and loans, and assess the impact of leasing on balance sheet. |  | X | X | X |  |  |
| <b>ILO5</b>  | Describe mergers and acquisitions, compare their various forms, discuss the causes and explanatory theories of this phenomenon, evaluate companies for purposes of mergers, identify the difficulties of this valuation, and predict the failure of mergers.  |  | X | X | X |  |  |
| <b>ILO6</b>  | Describe the financial failure of companies, distinguish between financial failure, liquidation and restructuring of companies, discuss how to distribute the liquidation value of the company, and evaluate the procedures and restructuring plan.   |  | X | X | X |  |  |
| <b>ILO7</b>  | Evaluate and judge dividend theories, compare different dividend policies adopted by companies in practice, and discuss the forms and timing of dividends and their impact on the market price of share.  |  | X | X | X |  |  |
| <b>ILO8</b>  | Discuss decision-making procedures, distinguish different forms of costs, identify appropriate costs of decision-making, and evaluate short-term decisions made by companies based on cost criteria.  |  | X | X | X |  |  |
| <b>ILO9</b>  | Distinguish different concepts of value, apply the basic model of valuation, and evaluate the basic securities: common stock, preferred stock, bonds.   |  | X | X | X |  |  |
| <b>ILO10</b> | Analysis of securities investment returns and risk (individual investment, portfolio), apply the capital asset pricing model, use the security market line and predict future returns and risks.  |  | X | X | X |  |  |
| <b>ILO11</b> | Describe financial derivatives and distinguish  |  | X | X | X |  |  |



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|              | between their types, explain how financial options contracts work, determine the profit and loss of investment for these options and predict their future prices.   |  |   |   |   |  |  |
| <b>ILO12</b> | Explain the forward and future and swap contracts and distinguish between their types, determine the role of Clearing House in ensuring the implementation of future contracts and margin requirements, evaluate forward and future contracts, and judge the comparative advantage of swap. |  | X | X | X |  |  |

## 7- Practice Tools:

| Tool Name | Description |
|-----------|-------------|
| -         | -           |

## 8- Main References

- 1- John. C. Hull., (2018), Options, Futures and other derivatives, 10<sup>th</sup> edition, Pearson.
- 2- Titman, S., Keown, A.J., Martin J.D., & Martin, T., (2015), Financial Management: Principles and Applications, 7<sup>th</sup> edition, Pearson Australia.
- 3- Brigham, E.F., & Houston, J.F., (2007), Fundamental of Financial Management, 11th edition, Florida.
- 4- Brigham, F.E., & Ehrhardt, M.C., (2013), Financial Management: Theory and Practice, Thomson south-western.

## 9- Additional References

- 1- Aragon, G.A., (1989), Financial Management, London, Alldon and Bacon.
- 2- Van Horne, J.C., & Wachowicz, J.M., (2009), Fundamentals of financial management, 13<sup>th</sup> edition, Person Education Limited.
- 3- Bodie, Z., Kane, A. & Marcus, A J., (2010), Essentials of Investments, 8<sup>th</sup> edition, McGraw- Hill.
- 4- Additional articles and references provided to students at the end of each lecture according to the subject of the lecture and the interest of the students