SHEKHAWATI INST. OF ENG.& TECHNOLOGY COLLEGE
SIKAR, RAJASTHAN
1st MID TERM EXAMINATION 2017-18 (B.TECH 4^{th} year - Mining)
Subject Code & Name: 8MI1 Mine Economics and Financial Management
MM: 20 Times: 1.5hrs

MODEL ANSWER PAPER

Q.N.1 What is financial Managment? Explain its Scope.

Answer Financial Managment is a functional Area of Busines Managment and is Part of whole Managment. The financial Managment is Responsible for the finance function of the Undertaking. This is not the higher level of Accounting or financial Information System. This is a group of Activities Related to the decision Making of finance of the firm and other Matters Related to the finance.
Simply financial Managment is that area of Busines-Managment. In which Activities related to finance are Managed and Controlled in a Effective Manner.

Scope Of financial Managment :-

I Administrative function Part of Scope

(A) Recurring finance function :- are those which are Performed for Effective Co-ordination and Completion of Objectives of the firm like

(1) Planning of funds

(2) Raising of funds

(3) Allocation of Recources

(4) Control of funds

(5) Allocation of Income

(6) Corordination with other departments

(B) Non Recurring finance functions :- are those which are to be Performed by finance manager On the Occurence of Special event.

II Routine Functions

(i) Supervision of Receipts of Cash & its disbursement
(ii) Keeping the Cash Balance Properly & Safty
(iii) Keeping Record of Every transaction and Account Safly
(iv) Managment of Credit transaction.
(v) Safety of Security and Important documents.

Other Parts of Scope :-

(1) Managing funds
(2) Managing Asset
(3) Liquidity
(4) Profitability

Q. No. 2 What is Finacial Statments ? Explain with the help of Assumed Data.

Answer Financial Statments are those Statments which Explains the results of financial Position of the Company and results of Operations of its. four Main Statments are Commonly Prepared by Public Companies :- Balance sheet, Income Statment, Cash flow Statment and Statment of changes.

Now we discuss About two Main financial Statments :-

(1) Balance sheet :- (Statment of financial Position) :-

The Balance Sheet tells you wheather the Company Can Pay its Bills On time, its financial flexiblity to acquire Capital and its ability to Distribute Cash in form of Dividends to the Company's Owners. In Short it is a View of the Company's financial Position As of the date it is Prepared.

The Balance sheet Shows the Company's Assets, Liablity and Shareholder Equity.

Balance sheet of
A Com. Ltd
As on 31st March 2017

Liablities	Amount (Amt. in Rs.)	Assets	Amount (Amt. in Rs.)
Stock holders Equity		Fixed Assets	
Capital Stock	50000	Machinery	9000
Retained Earnings	35000	Other Equipment	3600
Liablities		Current Asset	
Creditors	5000	Cash	85050
Bills Payble	1600	Accounts Payble	4700
Salaries	2000	Rent Prepaid	1500
Bank overdraft	3000	Bills Receivable	3600
Outstanding	4400	Supplies	250

- Asset are items that Provide Probable future Economic Benfits
- Liablities are Obligation of the firm that will be settled by Using Assets

(2) Income Statment :-

The Income Statment (Also known As the Profit And loss Statment Tells you Both the Earnings and Profitablity of a Buisness. The P&L Is Always for a Specific Period of time Such As a Month, A Quarter or a year. The format of Income Statment has been determined By a Series of Accounting Pronouncement. Income from Continuing operations is the heart of P&L.

Profit & Loss Account of a Company
for the Period Ended

Particulars		Amount (in Rs.)	Particulars		Amount (in Rs.)
To Opening Stock		xx	By Sales	xx	
To Purchases	xx		Less: Return	xx	xx
Less: Return	xx	xx	By Cl. Stock		xx
To Wages		xx	By Gross Loss		
To Gross Profit		xx			
		xx			xx
To Indirect Exp.		xx	By Indirect Income		xx
To Net Profit		xx	By Net Loss		xx
		xx			xx

Tabular format

Q. No. 3 Explain About BEP.

Answer In Break Even Analysis Break Even Point is the Most Important concept. The Break Even Point is that level of Production In a firm where total Sale Value is Just Equal to total Costs. So at this Point the firm neither Earn Profit Nor Incurr any loss.

Techniques of BREAK EVEN POINT

- Algebraic Techniques
  - Equation Technique
  - Contribution Margin Technique
- Chart Techniques

① Equation Method:-

Equation is As follows:-

$$\text{Sales} - \text{Variable Cost} = \text{fixed Cost} + \text{Profit}$$

This is written Also in the following form

$$S - V = F + P$$

Because the Relation of Sales and Variable Cost is at the Same Level of Production and Sales So the formula is writen As follows

$$SP(x) - V(x) = F + P$$

It Can also be written As

$$SP(x) = F + P + V(x)$$

But there is no Profit or Loss at BEP So following formula at BEP will be. $SP(x) = F + V(x)$

Where x = No. of units

(2) Contribution Margin technique:-

Contribution = Sales - Variable Cost

$$C = S - V$$

Or

Contribution = Fixed Cost + Profit

$$C = F + P$$

But at BEP, there is neither loss nor Profit So the Contribution Margin at BEP is equal to total fixed cost

So at BEP, Contribution is written As $C = F$

$$\text{BEP (In units)} = \frac{\text{Total Fixed Cost}}{\text{Contribution Margin Per Unit}}$$

Q. N. 4 What do you Mean by Mine Economics?

Answer Minaral Economics is the Academic discipline that Investigates and Promotes Understanding of Economic and Policy Issue Associated with the Production and use of Minaral Commodities

Minarals are Naturally Occuring Compounds of Non-living Matter Each technically defined as having a chemical composition that varies between defined limits and Possesing Physical Properties that Constant

Now the Mine Economics is the Study of Mine & Minerals in the Economy Or Role of Minarals in the Economy.

Mine Industries have Important links with Economy Both Domestic and International. Mining Activity Directly Employe Sizable work force, Mostly unskilled. Minerls Contribute to the World Production and have Sizable World trade. In Some Contries Mostly developing the Share of forign Exchange Earning is Substantilly Boosting the domestic Economy. Minalrals Give rise to the fright Earned by Railways and to the Earning On Export & Import Cargo handled by Ports.

The Exploitation of Minerals resources Provides Basic Income which as Economy develops affords an opportunity to Expand.

So in clear Mine Ecomics Is the Study of finance Related with the Minaralsand Earning.

Q.N.5 What is Ratio Analysis ? Explain its Various types with the help of Assumed data.

Answer Ratio Analysis is a tool for Analysiring the Capital Structure. It is used to describe Significant Relationship which Exist Between figures Shown on a Balance sheet, in a Profit & Loss Account, In a Budgtery Control system or in any other Part of Accounting Information.

Types of Ratio :-

(1) Liquidity or Short term Solvency Ratio :-

(A) Current Ratio :- $\frac{\text{Current Asset}}{\text{Current Liabilities}}$ $\frac{200000}{100000} = 2:1$

(B) Quick Ratio :- $\frac{\text{Quick Asset (CA - Stock + Prepaid)}}{\text{CL}} = \frac{100000}{100000} = 1:1$

(2) Activity Or Efficiency Ratio :-

(A) Stock turnover Ratio :- $\frac{\text{Cost of goods Sold}}{\text{Avg. Stock}}$ $\frac{100000}{35000} = 2.86$ times

(B) Debtors Turnover Ratio :- $\frac{\text{Net Credit Sales}}{\text{Avg. Receivables}}$ $\frac{292000}{45000} = 6.49$ times

(C) Total Asset turnover Ratio :- $\frac{\text{Sales or COGS}}{\text{Total Asset}}$ $\frac{600000}{180000} = 3.33$ times

(3) Profitability Ratios :- (Based on Sales) :-

(A) Gross Profit Ratio :- $\frac{\text{Gross Profit}}{\text{Net sales}} \times 100$ $\frac{190000}{650000} \times 100 = 29.23\%$

(b) Operating Ratio = $\frac{\text{Operating Cost}}{\text{Net Sales}} \times 100$ $\qquad \frac{533000}{650000} \times 100 = 82\%$

(c) Net Profit Ratio = $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$ $\qquad \frac{120000}{650000} \times 100 = 18.5\%$

(4) Profitability Ratios :- Based on Capital

(A) Return on Capital Employed :- $\frac{\text{Profit Before Interests Taxes}}{\text{Gross Capital Employed}} \times 100$

$\frac{168500}{700000} \times 100 = 24.07$

(B) Return on Shareholders funds :- $\frac{\text{Net Profit After tax}}{\text{Shareholders funds}} \times 100$ $\qquad \frac{149800}{410000} \times 100 = 36.04\%$

(5) Ratio Based on Earning On Shares :-

(A) Earning Per Shares :- $\frac{\text{Net Profit After tax \& Pref. Divind}}{\text{No. of Equity Shares}}$

(B) Price Earning Ratio :- $\frac{\text{Market Price Per Equity Share}}{\text{Earning Per Share}}$

(C) Divident Per Share :- $\frac{\text{Divident Paid to Equity Shareholders}}{\text{No. of E Share outstanding}}$

(D) Dividend Pay Out Ratio :- $\frac{\text{Divident Per Share}}{\text{Equity Per Shares}} \times 100$

(6) ~~Activity & Efficiency Ratio~~ :- Leverage Or Capital Structure Ratio :-

(A) Debt/Equity Ratio = $\frac{\text{Debt (External)}}{\text{Equity (Internal)}}$

(B) Proprietary Ratio = $\frac{\text{Propritar fund}}{\text{Total tangible Asset}}$

(C) Fixed Asset = $\frac{\text{Net tangible fixed Asset}}{\text{Networth + Long term Borrowing}}$