MINING AND GEOLOGY TODAY
III INTERNATIONAL SYMPOSIUM

FINANCIAL MANAGEMENT OF COMPANIES OF THE MINERAL AND RAW MATERIALS COMPLEX TODAY

Expert Paper
DOI: 10.5937/RGD240027T

Tošović Radule

Faculty of Mining and Geology, Department of Economic Geology, Belgrade, Serbia
radule.tosovic@rgf.bg.ac.rs

Abstract: *At the current moment of functioning of the mineral economy and the modern market performance of mineral sector companies, financial planning and financial control represent very important modern financial management tools for business success and making appropriate financial decisions. The variability of the operating factors of mineral production, conditions and methods of sale of mineral raw materials, price variations of individual mineral products and individual mineral raw materials require timely, correct and strategically oriented definition of the company's financial policy from the management of mineral sector companies. It basically includes three important segments, namely: (a) the policy of obtaining financial resources; (b) the policy of placing financial assets; and (c) the company's liquidity policy. The aforementioned should be in the direct function of ensuring the reproduction of mineral production and, what is particularly important, ensuring the reproduction of the mineral-raw material base, i.e. the expansion of ore reserves, necessary for the continuity of mineral production and meeting the needs of numerous economic branches for mineral raw materials. The basic task of such a financial policy of companies in the mineral sector is the fulfillment in the practice of mineral production of appropriate financial principles: (a) financial stability; (b) liquidity; (c) profitability; (d) financial elasticity; (e) financial independence; and (f) financial strength. A particular specificity of the practice of mineral production is the connection with the strategically important economic evaluation of mineral reserves, which through the structure of the set of economic evaluation factors and sets of economic evaluation indicators provides all the necessary elements for the success of financial planning, monitoring and successful realization of mineral production. Of particular importance is the specific separation of two types of profitability of mineral raw materials, namely: (a) commercial; and (b) national profitability, which in the end have a significant impact on the financial policy and financial operations of companies in the mineral sector.*

Key words: FINANCIAL MANAGEMENT, FINANCIAL DECISIONS, ECONOMIC EVALUATION, MINERAL RESERVES, MINERAL SECTOR, MINERAL ECONOMY

INTRODUCTION

The economic or industrial system, as an expression of the entire socio-economic relations in the country at a certain time, is characterized by great diversity and complexity. It consists of a complex set of system elements, which directly or indirectly affect the entire economic activity and its results [1]. The analysis of the economic system, as an economic category, includes the study of associated business systems, which also includes the mineral sector with the corresponding mineral production [2]. For financial success of modern business, financial management is especially important, as a very important state of the art managerial discipline [3, 4, 5], which is reflected in multiple ways on the work and functioning of the industrial and economic system of the country as a whole, and within it, particularly the mineral economy and the mineral sector [6]. Business finance of companies in the mineral sector, as one of the essential activities, can be seen as a synonym for financial management or financial administration, so that they actually represent the process of creating financial conditions for efficient achievement of selected financial goals [7], with special specifics in the mineral sector [8].

In modern turbulent business conditions of companies within the mineral sector, market changes are taking place in the particularly specific market of mineral raw materials, which is directly reflected in the economic results and financial success of the business activities of these companies. In addition, two key aspects of business in terms of production and financial consideration can be singled out, which include [8]: (a) Material production of mineral raw materials; and (b) Financial result of the whole mineral production. Achieving the company's financial liquidity with the highest profit rate is the central motive in the market conditions of the mineral economy of the country, which affects the financial management and which should ensure a competitive market position for the company together with its appropriate financial capacity. Therefore, according to the general approach [9], the creation and realization of a policy tending towards optimal financial placements assuming dynamic maintenance of the optimal level of company liquidity is the fundamental goal of managing the business finances of mineral sector companies as part of the mineral economy [6].

Financial policy essentially refers to the basic financial goals of the company and to finding the most favourable methods and procedures for achieving the above goals, so that it represents the basis for managing the company's finances [10]. At the same time, the financial policy is based on the integral business policy of the company, in accordance with the set business goals, which consequently also applies to companies in the mineral sector. Determining and choosing the goals of the company's financial policy should also take into account their variability [11], namely: (a) Obtaining a different quantitative expression for each business goal under different circumstances; and (b) Changes in the individual objective benchmarks of the company's financial policy, depending on the circumstances. For a more complete overview of the company's financial policy, it is necessary to plan, implement and monitor the basic financial processes, as the basic activities of financial management. A complete review of the financial policy includes three separate financial processes: (a) Acquisition of financial resources; (b) Use of financial resources, i.e. their placement; and (c) Monitoring the company's liquidity, through the process of harmonizing the inflow and outflow of funds, as well as permanent settlement of liabilities with increased investment profitability. The mentioned aspects of financial policy are accompanied by particularly expressed specific phenomena within the mineral sector and production of various metallic, non-metallic and mineral raw materials for energy, as a contribution to the realization of integral success of the mineral economy [6, 12].

The topics dealt with in this paper partly start from the basic assumptions of financial management and corporate finance [1, 3, 5, 7, 9-11, 13-20, 24-30, 34-37], management of mineral resources and mineral economy [2, 4, 6, 8, 12], and on the other hand also result from the author's thorough analytical and synthetic, inductive and deductive and also systematic studies in the field of management, economic assessment, business decision-making and mineral economy [31-33]. The main goal of this paper is to indicate in general the special place, role and importance of financial policy, as a factor of financial management and an important element in defining the business policy of mineral sector companies, as well as its importance for decision-making and business operations of the company, in order to improve the financial effects of mineral production, mineral sector and mineral economy of Serbia.

FINANCIAL POLICY AS THE BASIS OF MANAGEMENT

Politics is a science of goals and principles, as the basic sources of knowledge, which are applied to achieve the company's goals. Thereby, every policy must have its defined goal and selected principles of implementation in order to achieve the defined goal [11, 13]. According to the general approach, financial policy aims to achieve and maintain the financial strength of the company by means of established principles, which are adhered to in the execution of business tasks. Financial policy actually represents an activity of the company seeking the most favourable financial solutions in order to achieve maximum financial results in the overall business activities of the company [11, 13]. In the case of companies in the mineral sector, the connection between financial policy and the country's mineral policy is particularly specific [6, 12].

The financial strength of the company can be expressed in: (a) Quantitative; and (b) Qualitative terms. In quantitative terms, the financial strength of the company includes the amount of funds, while in qualitative terms, the financial strength includes [11, 13]: (a) Permanent capacity to pay; (b) Sustained capacity to finance; (c) Preservation of assets; and (d) Increase in assets. Given that the state of the art approach in the mineral economy is generally related to a commercial character, and the profitability of the use of mineral reserves, respectively [6, 12], to monitor the financial strength of mineral sector companies, apart from the quantitative, the individual qualitative aspects are particularly specific.

Permanent capacity to pay means that a company in the mineral sector is able to pay its due financial liabilities at any business moment. The above assumes that the funds received on the basis of produced, sold and charged mineral raw materials and mineral products, respectively, are equal to or are greater than the due financial liabilities.

Permanent financing capacity means that a company in the mineral sector has the financial capacity to finance long-term investments in mineral production from its own and borrowed sources, as well as to finance short-term investments from borrowed sources, while not jeopardizing the liquidity, profitability and independence of operations of these companies.

Maintenance of the assets of mineral sector companies implies realization of business without business loss in conditions of a stable monetary unit valid on the respective market, and in conditions of inflation it implies maintenance of the undiminished value of own assets. An additional specificity of the mineral sector is the dependence on the prices of mineral products on the world market, which are usually expressed in US dollars, and which is why there is an additional dependence on the exchange rate of the domestic currency, which can also, through changes, affect the financial results of business operations and the conditions for maintenance of assets of mineral sector companies.

Increased assets of companies in the mineral sector implies, in the distribution of the total income from mineral production, the possibility of allocating accumulation, which from the practical side enables the capacity to finance, maintain and improve mineral production from own sources. Part of the accumulation can also be directed to additional geological research in order to increase mineral reserves, as a condition for continuing mineral production, and extending the period of exploitation and realization of financial effects of the respective mineral production for a longer period of time.

According to the general approach, individual segments of the company's financial policy are distinguished [11, 14, 15, 16], and they also apply to companies in the mineral sector including: (a) the policy of obtaining financial resources; (b) the policy of financing reproduction flows; (c) the policy of placement of excess financial resources; (d) investment financing policy; (e) joint venture policy; (f) policy of liquidity and creation of financial reserves; and (g) the financial stability and total profit distribution policy. The mentioned partial financial policies form parts of the integral, namely, overall financial policy, there being a connection between these policies through the implementation of the feedback law.

According to the general approach [11, 14, 15, 16], the objectives of the financial policy of mineral sector companies actually derive from the global company policy objectives. Also, the respective financial policy represents the initial activity of financial management in a mineral sector company dealing with mineral production. In addition, the financial policy is also a functional policy in terms of directing the financial function and the financial relations in the company. At the same time, the central issues of financial policy are actually the most important decisions on the operations of companies in the mineral sector, viewed from the financial aspect.

FINANCIAL MANAGEMENT PROCESSES

The specifics of mineral production, as the initial branch of material production, are reflected in the process of mineral production and in the part concerning financial management [4]. For better understanding of the financial policy, according to the general approach [13, 14], one should primarily take into account the financial goals and basic financial processes on which the financial management activities are based. In accordance with the above, financial policy includes three separate financial processes [13, 14], and partial policies, respectively: (a) the Policy of obtaining financial resources; (b) Policy for placement of financial assets; and (c) the Liquidity Policy; which actually represent the basic aspects of financial policy from the point of view of the most significant financial processes.

The policy of obtaining financial resources needed by the mineral sector company includes the financial management phase in which financial decisions are made on: (a) the required volume of the company's funds; (b) ratio of required fixed and working capital for mineral production; (c) sources of funding to be obtained; (d) ratio of own and external funds; and (e) terms of employment of assets, taking into account the ratio of long-term and short-term assets of companies in the mineral sector. The main goal of such financial policy of the company is to achieve a permanent balance between the acquired funds and their investment in the next phase of financial management.

According to the general approach [11, 14], obtaining the funds needed by the mineral sector company can be achieved from: (a) Own sources, and, from the sale of mineral products and services, respectively, or additional capital payments by the owner; and (b) from Borrowed, or external sources. In conditions of necessity for constant expansion of production reproduction, it is difficult to do business exclusively with the existing volume of financial resources. For this reason, the financial policy must provide the necessary working capital and fixed assets to the company in the mineral sector, which, according to their character, belong to investments. Thereby, each of their coverages with short-term funds causes a discrepancy in time duration and certain difficulties in the operations of companies in the mineral sector. According to the general approach [11, 14], it is considered that a company in the mineral sector operates properly if it covers about 70% of working capital and all fixed assets from long-term sources. A special type of constitution of the company's assets is the proportional ratio of own and external assets, for which the usual condition is that the percentage of liquid assets in total assets should be inversely proportional to the percentage of own assets in the total assets of mineral sector companies.

The policy of placement of financial assets of companies in the mineral sector includes the phase of financial management in which financial decisions are made about the cost effectiveness, namely, profitability of investments of financial resources obtained for the business needs of companies in the mineral sector. The definition of the required cost effectiveness of mineral production is based on the balance reserves of mineral raw materials, which are located in the respective ore deposit, which are defined by the economic assessment of mineral reserves and which are the basis of mineral production [6], with a previous systematic analysis of a set of factors and indicators of economic assessment [12]. The main goal of this kind of financial policy, from a financial point of view, is to achieve permanent balance between the invested financial resources and the return of those resources. The placement of financial assets represents an extremely important area of the company's financial policy [14, 15], which, according to the general approach [6], is regulated by the principles of: (a) Security; (b) Cost effectiveness; and

(c) Liquidity. The principle of security dictates that funds should be invested where they will surely return [11, 16]. The principle of profitability dictates that funds should be invested in business ventures, where they can be multiplied. The principle of liquidity dictates that financial resources should be invested in such a way that they are returned within the terms required to settle the liabilities of mineral sector companies.

Liquidity policy of companies in the mineral sector implies the achievement of permanent optimal liquidity of the company, as an organizational and production unit, which is why, according to the general approach [11], financial policy essentially is reduced to liquidity policy. Essentially, it is a set of measures related to ensuring the solvency of companies in the mineral sector, i.e. ensuring the balance of inflow and outflow terms in each phase of the circular movement of funds according to the standard economic-financial pattern N1-R-P-R1-N2 [6], which ensures the achievement of the set goals of mineral sector companies as a whole. However, it should be borne in mind that by observing the turnover of funds for the company as a whole, a reliable indicator of liquidity cannot provided [11, 17], which indicates the need to observe the coefficients of turnover of funds in each individual phase of the circular flow of funds in the mineral sector company, which can be individually specifically included in geological research, exploitation, preparation and processing of mineral raw materials [6]. Only achieved synchronization of inflows and outflows of funds in all phases of mineral production gives the turnover ratio the necessary real value, which guarantees that the enterprise of the mineral sector will not become insolvent. At the same time, the liquidity of companies in the mineral sector should be viewed dynamically, namely, through several individual levels. The first level of liquidity of mineral sector companies can be within a term of up to one month, and the second level of liquidity can be observed for a longer period of time, or quarterly and annually, and even multi-annually. Analogously, by harmonizing different levels of liquidity not only for the company as a whole but also for individual stages of reproduction, it is possible to constantly plan and determine the schedule of liquidity and take appropriate measures in a timely manner in order to maintain the financial stability of the company, which is also the basic task of the financial policy of companies in the mineral sector. The overall economic analytical approach indicates that the acquisition of financial resources is carried out in accordance with the possibilities, and their placement according to the needs of reproduction of the mineral sector companies. At the same time, it is very important to plan the harmonization of reproduction consumption with the real possibilities of mineral sector companies so that the liquidity indicator ranges around the optimum, namely, with a coefficient of around 1. There are always real possibilities in practice for such a state of liquidity, but in mineral sector companies, especially when certain mineral raw materials are concerned, this is not easy to achieve, actually it is rather difficult.

THE ROLE OF THE MANAGER

The job of a manager in modern conditions of work and functioning of the mineral sector is very demanding, especially in terms of ensuring long-term profitable operation of the company and performing activities in accordance with the legislation and existing requirements of stakeholders, primarily capital holders and clients [18]. According to the general approach [11, 19, 20], appropriate financial incentives, or bonuses, as a system of managerial rewards, are gaining importance, especially in times of crisis, when many companies have stopped working, when it is difficult to collect receivables, and employees are de facto treated as an expense, and they achieve better financial results by doing things in the most undesirable way, which is by firing workers.

Managers in the mineral sector, especially top managers in the company, have better managerial performance when they have basic financial knowledge and when they understand how to measure financial success, as well as how they can get better and more successful business results in mineral sector companies. The above assumes that managers are familiar with [11, 19, 20]: (a) Financial statements; (b) Basics of financial measurement, namely, how to quantify business elements and processes, which cannot always be expressed in money; and (c) How to use information from financial statements for further analysis and, in particular, make appropriate business decisions.

Financial literacy of managers in the mineral sector means that the managers themselves can critically assess the actual situation in the company, and according to the general approach [11, 19, 20]: (a) How well the company works; (b) What is the net worth of the company; (c) Whether the company is creditworthy; (d) Whether the business can pay its own bills; (e) Whether the capital of the enterprise has been increasing over time, etc.

In addition, it is very important for managers to be able to recognize which items in the financial reports are a matter of assumptions, estimates and prejudices of the financial director, but also to recognize what is the basis for achieving a synergy between different organizational parts of mineral sector companies. The final benefit for the company based on the manager's financial literacy is extremely significant for long-term profitable business operations and for an adequate response of the mineral sector company to business challenges in a turbulent business environment.

Practice has shown that managers do not understand finances well enough, most often for the following reasons [11, 20]: (a) Aversion to mathematics; (b) Strict adherence to defined work guidelines; (c) the Management or company owners do not like lower-level managers analyzing the numbers; (d) Lack of time; or (e) the Attitude of employees in the finance sector that complex areas of business operations cannot be explained simply.

Good knowledge of finance allows managers to apply good business risk management within the mineral sector companies. In modern conditions, the risk of debt collection, or, the customer's credit risk in the case of a sold mineral product/service on deferred payment, represents the key risk to which companies in the mineral sector are exposed. Therefore, it is very important for managers to be able to recognize safe clients to cooperate with and under what conditions to sell mineral products/services to different categories of customers. This also means that the starting point for the potential realization of a transaction is the manager's ability and knowledge to read the official financial statements of the business partner. It is also important that the manager can see which financial instruments are available for the realization of a specific sales contract, but also which means of security are necessary in order to collect the corresponding receivables [11, 21]. This further entails in managerial terms the determination of the total costs related to the realization of the specific work. In a complete analysis, it is especially important to know how to decide managerially what is more profitable for the company, whether to sell a certain mineral product in accordance with the agreed conditions or to invest in money funds or bank deposits or some other available investment alternative. In complex modern analyses, in the last instance, this managerially implies that it is easy to determine how much time spent with a certain client brings profit to the company. In addition to all of the above should be added that this includes a personal benefit for the manager himself, because thanks to good knowledge of finances, he can determine the amount of profit he will bring to the company and, accordingly, the amount of profit and bonus he should contract with his employer.

PRINCIPLES OF FINANCIAL POLICY

According to the general approach [11, 22], when talking about politics, we primarily mean the principles of managing an action aimed at achieving certain goals of the company, as a choice of some future desirable state of the company as a business system. Essentially, in an analytical and managerial sense, determining the goals of the company's financial policy actually means deciding on the choice of some future orientation in financial operations. The above practically means that a company leading a certain financial policy starts from the assumption that it is proceeding towards the choice of the financial situation which should allow it to achieve the most favourable financial result, as the ultimate goal of the company. If the total financial assets of the company are also taken into account, then this requirement is multiplied, which also assumes the provision of permanent liquidity and financial stability of the mineral sector company. At the same time, it should be analytically taken into account that goals to achieve an optimal structure of funds and sources are one point, and goals to achieve optimal liquidity, namely goals to achieve the most favourable financial result of mineral sector companies are something completely different.

The standards or principles of the financial policy of companies in the mineral sector, according to the general approach, are the key basis related to the knowledge that determines the ways of operating in order to achieve the basic goals of the company, aimed at its financial strength. The general characteristic of financial policy principles is that they are interconnected, due to their interactive connection. At the same time, the basic task of financial policy consists of the need for optimal harmonization of all financial policy principles of companies in the mineral sector. Thereby, according to the modern approach and general point of view [10, 11, 22], the following are the key principles: (a) Financial stability; (b) Liquidity; (c) Profitability; (d) Financial elasticity; (e) Financial independence; and (f) Financial strength.

The principle of the financial policy financial stability of companies in the mineral sector is based on the ratio between long-term fixed assets (LTFA) and the company's own capital (OC) increased by long-term borrowed capital (LTBC), which should be a maximum of 1 or less than 1. If this ratio is equal to 1, long-term assets are covered by own and borrowed capital and there is a long-term financial balance expressed by the ratio: LTFA/(OC+LTBC) = 1. If this ratio is less than 1, the long-term tied assets are less than own and borrowed capital, which means that the long-term financial balance shifts towards the company's sources of funds. In economic and financial considerations, own capital should have a dominant impact on the company's sources of funds, because it is permanently available. However, in the mineral sector companies, in the mineral production of certain cheaper, especially non-metallic mineral raw materials, there are certain difficulties in securing sufficient own capital for business activities, but they are solved through short-term loans from external sources. In mineral production of more expensive, especially metallic mineral raw materials and oil and gas production, such problems are rare. The principle of liquidity of the financial policy of companies in the mineral sector represents the company's capacity to settle its due liabilities at any time.

Liquid assets are money, and other forms of assets are separated into different groups according to the speed of their conversion into money, namely: (a) Primary liquidity, where cashability is done at once, i.e. immediately; (b) Secondary liquidity, where liquidity is up to 30 days; and (c) Tertiary liquidity, where liquidity is longer than 30 days.

The speed of converting immobilized assets into money depends on the term of immobilized or tied up assets, as well as the risk of converting them into money without loss. The liquidity of companies in the mineral sector partly depends on the financial policy and business procedure, as in the case of companies in other business activities, and partly depends on the type of mineral raw material, which is the subject of mineral production.

The principle of profitability of the financial policy of companies in the mineral sector refers to the earning power of the company and shows how much each monetary unit of employed funds brings profit to the company. According to the principles of economics [1, 6], profitability is determined by the ratio of profit and employed funds, since profit essentially represents the company's earnings. In a complete economic and financial analysis, the following are particularly distinguished [11, 14]: (a) Partial; and (b) Global profitability indicators. Partial indicators of profitability are determined only from the income statement and are: (a) Rate of business profit; and (b) Net Profit Rate. Global or synthetic indicators of profitability are determined based on the data of two balance sheets, namely, the balance sheet and the income statement, through different rates of return: (a) Rate of return on total business assets; and (b) Rate of return on net assets. In a complete analysis of the profitability of companies in the mineral sector, the profitability of operations and the profitability of using mineral reserves, which are the basis of mineral production, are determined. The second mentioned profitability is determined through the economic assessment of mineral reserves, through a set of factors and indicators of economic assessment [6, 8, 12], when balancing ore reserves on the basis of which the exploitation process is planned and the obtaining of a mineral product, which is sold on the market, as a basis for realization of the company's income. The principle of financial elasticity of the financial policy of companies in the mineral sector refers to the company's capacity to obtain cheap sources of financing from other sources at the right time and in the required volume, as well as its capacity to return those funds to creditors without short-term and long-term consequences for the company's liquidity and its continuous operations. In the initial analysis, it should be borne in mind that the possibility and price of obtaining additional sources of financing, according to the general approach [11, 14], depend primarily on: (a) The state of capital supply and demand on the financial market; and (b) Creditworthiness of the company. At the same time, the assessment of the creditworthiness of companies in the mineral sector is in the interest of the lender, i.e. the bank or other institution that provides financing and directly depends on the company's financial position, profitability, future liquidity of the company, and its competitiveness with similar companies in the mineral sector. In the companies of the mineral sector, financial elasticity partly depends on external circumstances, and a significant part on business financial decisions and the ability of financial managers to perform the necessary managerial tasks, in the short term, but also in the long term period. The principle of financial independence of the financial policy of companies in the mineral sector requires that the company should be as independent as possible from the company's creditors. The debt dependence of the company, according to the general approach [11, 14], depends on the following factors: (a) Ways of obtaining loans and its security instruments; (b) Total liabilities to suppliers and number of suppliers; and (c) The size of the net profit and profitability of the company's operations.

The method of obtaining a loan and its security instruments is connected with the method of disposing of assets. If a company in the mineral sector obtains its sources of financing with a mortgage, it will not have the freedom to dispose of its mortgaged property and vice versa. Total liabilities to suppliers and the number of suppliers essentially reflect the degree of dependence. If the company has a larger number of suppliers, then its dependence on them is lower and vice versa, where its dependence on them is higher. The size of the net profit and profitability of the company's operations are related to the capital. In the case of lack of net profit and economically and financially unfavourable business profitability, the company's debt dependence on creditors increases and the company's capital decreases.

The principle of financial strength of the financial policy of companies in the mineral sector implies a certain set of a number of principles, which, according to the general approach [11], include: (a) the Principle of rational financing; (b) Principle of liquidity; (c) Principle of safety; (d) Principle of profitability; (e) Principle of financiality; and (f) Principle of accumulation and mobilization of financial resources. The aforementioned principles are interconnected, so that in an interactive connection they form the "principle of the financial strength of the company". The financial strength of the company can therefore be viewed in two ways: (a) as Quantitative; and (b) Qualitative. In the subject consideration, primacy belongs to the qualitative aspect of the financial strength of mineral sector companies.

COMPONENTS OF FINANCIAL POLICY

In considering, analyzing and formulating the financial policy of companies in the mineral sector, financial policy factors are particularly important and they can be divided into: (a) External; and (b) Internal factors. External factors, which include: (a) the Economic and financial system; and (b) Market conditions of business activities; they are independent of the operations of mineral sector companies, but they certainly affect its functioning, sustainability, growth and development. On the other hand, there are internal and inner factors, respectively, related to the mineral sector company itself and stem from: (a) Business plans of the company; and (b) Organizational structures of the company; and the mineral sector company can have an impact on them and decide on them independently. A particular specificity of mineral sector companies is the existence of a specific internal factor, which includes a quantitative-qualitative definition of mineral reserves and a financial assessment of their balance sheet, and economic profitability, respectively, which is defined through the economic assessment of ore reserves [2, 6, 12].

The mineral sector company uses various instruments, and means and measures, respectively, to achieve established financial goals and defined business goals of the company. Bearing in mind the fact that every policy, and therefore financial, is aimed at future business activities, meaning that the respective planning component of the financial consideration has dominant importance. From an organizational and managerial point of view, this means that the financial plan is one of the most important instruments in the realization of the financial policy of mineral sector companies. A special feature of mineral sector companies is that the subject plan is prepared based on the qualitative-quantitative definition of mineral reserves according to the annual exploitation plan and the market price of the mineral raw material, which is occasionally subject to significant stock market and market fluctuations.

Of particular influence on the financial policy of companies in the mineral sector is the specificity directly related to the economic assessment of mineral reserves, within which two types of profitability of mineral raw materials are distinguished, namely: (a) commercial; and (b) national cost-effectiveness [6, 12, 23]. Commercial profitability actually represents market profitability at a unit price of the respective mineral raw material valid on the stock exchange, namely, directly on the open market. On the other hand, national profitability, which is also called social or social profitability, refers to mineral raw materials that have national importance for the economy and population, which is why the official price is lower than the market or commercial price, and it is directly controlled by the state. As a characteristic example of national profitability, we can mention coal, as an source of electrical energy, whose price in Serbia is officially lower for thermal power plants, compared to the commercial price of coal in retail for individual consumers. The economic basis in defining national profitability is the economic need of the state to provide cheaper electricity for the needs of industrial and individual consumers, due to low financial possibilities, which as such can only be achieved with cheaper input production elements, including cheaper coal. Classifying a certain mineral raw material into one or another group, which is the basis of the respective mineral production, ultimately has a significant effect on the financial policy, financial management and financial operations of companies in the mineral sector.

CONCLUSION

Analytical consideration of the business finances of companies in the mineral sector should offer important answers related to financial management, and respectively, answers to various financial questions, such as the question of what should be the amount of financial investments in certain forms of fixed and current assets of the company, as well as investments in total business assets , but also many other accompanying financial issues important for the operations of companies in the mineral sector. In the set of significant elements of financial management, financial policy has a special place, role and importance, which in the mineral sector and mineral economy is directly connected with the country's mineral policy.

The financial policy of the mineral sector companies in particular includes the definition of the goals that they want to achieve, the factors that influence the creation and implementation of the same, the financial strategy and financing rules that ensure long-term economically sustainable and financially positive operations of the mineral sector companies.

The specific tasks of the financial manager in terms of the performance and improvement of appropriate financial functions arise from the initial business and economic and financial analysis, so that the mineral sector company could perform successful mineral production of certain metallic, non-metallic and energy mineral raw materials, and on the other hand, provide a positive and long-term sustainable financial state with the prospects for improvement, development and successful market valorization of mineral reserves, which are the basis of mineral production and operations of companies in the mineral sector.

As part of further professional and scientific-research analyses and continuation of work on the paper, a much more detailed elaboration of the issue of financial management in the functioning of mineral sector companies in the country's mineral economy is upcoming. The focus will be on a more detailed consideration of the issue of financial policy and its connection with financing rules, financial planning, financial control and financial analysis of business operations, in order to see their impact on the improvement of mineral production and more favourable production and financial effects of the mineral economy in the upcoming period of industrial and economic development of the country and successful continuation of the European integrations underway.

ACKNOWLEDGMENTS

The paper was created as a result of a scientific research project financed by the Ministry of Science, Technological Development and Innovation under Contract no. 451-03-65/2024-03/200126, and implemented by the Faculty of Mining and Geology of the University of Belgrade.

LITERATURE

[1] Mankiw, G., Principles of Macroeconomics. Cengage Learning; 8th edition, Boston, 2021, 576 pp.

[2] Tošović R., Financial Decisions in Enterprises of the Mineral Sector as Part of Financial Management, Proceeding of 27th International Conference Dependability and Quality Management ICDQM-2024, Research Center of Dependability and Quality Management DQM, Belgrade, 2024, pp. 251-262.

[3] Brigham, E.F. & Ehrhadt, M.C., Financial Management, Theory & Practice. Cengage Learning, 15th edition, Boston, Massachusetts, 2016, 1200 pp.
[4] Tošović R., Management in Modern Conditions of Serbian Mineral Economy. MISKO 10, Belgrade, 2010, pp. 411-434.
[5] Bizmanualz, Finance Policies and Procedures Manual. New Content Edition, Bizmanualz, Inc.; New Content edition, St. Louis, Missouri, 2014, 616 pp.
[6] Tošović, R., Ekonomika mineralnih resursa, Rudarsko-geološki fakultet, Beograd, 2020, 230 pp.
[7] Merton, R.C., Continuals – Time Finance, Basil Blckwel, Oxford, 1990.
[8] Tošović R., Some Aspects of Financial Policy in Decision-making and Business Operations of Companies in the Mineral Sector. Proceeding of 11th Internationa Conference Coal and Critical Minerals CCM 2023 Conference, Beograd, 2023, pp. 242-248.
[9] Ristić, Ž. & Komazec, S., Globalni finansijski menadžmen, Viša poslovna škola Beograd, Beograd, 2000.
[10] Titman, S., Keown, A. & Martin, J., Financial Management, Principles and Applications. Pearson, 13th edition, London, 2017, 720 pp.
[11] Barjaktarović, L., Jović, Z., & Milojević, M., Poslovne finansije. 4. dopunjeno izdanje, Univerzitet Singidunum, Beograd, 2021.
[12] Tošović, R., Geološko-ekonomsko modeliranje polimetaličnog ležišta Rudnik. Katedra ekonomske geologije, Rudarsko-geološki fakultet, Poseb. izd. br. 8, Beograd, 2006, 226 pp.
[13] Ivaniš, M. & Nešic, S., Poslovne finansije. Univerzitet Singidunum, Beograd, 2011.
[14] Barjaktarović, L., Popovčić-Avrić, S. & Đenić, M., Collection management as curtail part of credit risk management during the crisis. 8th AFE 2011 Conference Samos, Greece, 2011.
[15] Barjaktarović, L., Popovčić-Avrić, S. & Đenić,M., Upravljanje naplatom potraživanja u bankarskom sektoru Srbije u vremenu krize. Finansije, br. 1-6/2011, 2011.
[16] Konjikušić, S., Barjaktarović, L. & Radojević, G., Metodologija izračunavanja verovatnoće neizvršenja obaveza. Tržište kapital novac 3/2011, 2011.
[17] Račić, Ž., Barjaktarović L. & Zeremski A., Analiza uticaja zaduženosti na profitabilnost uspešnih domaćih kompanija u uslovima ekonomske krize. Industrija, časopis Ekonomskog instituta - Beograd, broj 3/2011, 2011.
[18] Ivaniš, M., Upravljanje finansijama. Univerzitet Singidunum, Beograd 2008, 367 pp.
[19] Block, S., Hirt, G.A. & Danielsen, B., Foundations of Financial Management. ISE 18th Edition McGraw-Hill Higher Education; New York, 2022, 524 pp.
[20] Odden, A., School Finance: A Policy Perspective 6th Edition. Kindle Edition, McGraw-Hill Higher Education; 6th edition, New York, 2019, 469 pp.
[21] Barjaktarović, L., Šta o finansijama treba da znaju menadžeri? Ekonomist br. 611-612, Beograd, 2012.
[22] Van Horne, J. C., & Wachowicz Jr, J. M., Fundamentals of Financial Management. 13th edition, Financial Times, Pretencie hall, Pearson education, London, 2005.

[23] Tošović R., Some Aspects of Commercial and National Profitability of Mineral Resources in Conditions of Sustainable Development. Proceedings of 6th International symposium mining and environmental protection MEP 2017, University of Belgrade, Faculty of Mining and Geology, Belgrade, 2017, pp. 333-338.
[24] Živković, A. & Ristić, Ž., Upravljanje finansijskim i deviznim poslovanjem. Ekonomski Fakultet Beograd, Beograd, 2000.
[25] Bannock, G., Bather, R. & Rees, R. The Penguin Dictionary of Economics. Penguin Books, Harmondsworth, 1973.
[26] Adam, D.H., Longman Concise Dictionary of Business English. Longman, 1985.
[27] Žarkić–Joksimović, N., Upravljanje finansijama. Grafoslog, Beograd, 2003.
[28] Pušara, K., Poslovne finansije. Viša poslovna škola Novi Sad, Novi Sad, 2000.
[29] Rodić, J. & Marković, I., Poslovne finansije. Savremena administracija, Beograd, 1982.
[30] Vunjak, N. Finansijski menadžment. Ekonomski fakultet Subotica, Subotica, 1995.
[31] Tošović R., Business Programs as Elements of Planning Decisions in the Company. Proceeding of 6th International Conference COAL 2013, Zlatibor, 2013, pp. 357-370.
[32] Tošović R., Elements of Efficiency and Effectiveness of Business Enterprises. Proceeding of 10th International Opecast Mining Conference OMC 2012, , Zlatibor, 2012, pp. 353-365.
[33] Tošović R., Economic Aspects of the Effectiveness Geological Exploration of Mineral Resources in the Mineral Sector. Proceeding of 15th ICDQM-2012, Belgrade, Belgrade, 2012, pp. 711-721.
[34] Dejanović, P., Organizacija računovodstveno-finansijske funkcije u preduzeću kao kibernetskom sistemu, U zborniku radova Finansijsko upravljanje u organizacijama, ed. Vukić, S., Književne novine, Beograd, 1976, pp. 200 – 201.
[35] Zeremski, V., Upravljanje finansijskim sistemom. Književne novine, Beograd, 1982.
[36] Rodić, J., & Marković, I., Poslovne finansije, Savremena administracija, Beograd, 1982.
[37] Pejić, L., Radovanović, R. & Stanišić, M., Ocena boniteta preduzeća. Privredni pregled, Beograd, 1991.