

Download File PDF Bethesda Mining Mini Case Solution

#Jenny



Finally I get this ebook, thanks for all these I can get now!

#Rio



Cool! I'am really happy

#Markus Jensen



I did not think that this would work, my best friend showed me this website, and it does! I get my most wanted eBook

#Hun Tsu



wtf this great ebook for free?!

#Che Salsa



My friends are so mad that they do not know how I have all the high quality ebook which they do not!

#Diego Butler



so many fake sites. this is the first one which worked! Many thanks

[Download PDF version of :](#)
Bethesda Mining Mini Case Solution

Bethesda Mining is a mid-sized coal mining company with 20 mines located in Ohio, Pennsylvania, West Virginia, and Kentucky. The company operates deep mines as well as strip mines. Most of the coal mined is sold under contract, with excess production sold on the spot market.

The coal mining industry, especially high-volatility operations such as Bethesda, has been hit hard by environmental regulations. Recently, however, a combination of increased demand for coal and new pollution reduction technologies has led to an improved market demand for high-volatility coal. Bethesda has just been approached by Mid-Ohio Electric Company with a request to supply coal for its electric generators for the next four years. Bethesda Mining does not have enough excess capacity at its existing mines to guarantee the contract. The company is considering opening a strip mine in Ohio on 5000 acres of land purchased 10 years ago for \$5 million. Based on a recent appraisal, the company feels it could recover \$5.5 million on an after-tax basis if it sold the land today.

Strip mining is a process where the layers of topsoil above a coal vein are removed and the exposed coal is removed. Some time ago, the company would simply remove the coal and leave the land in an unusable condition. Changes in mining regulations now force a company to reclaim the land, that is, when the mining is completed, the land must be restored to near its original condition. The land can then be used for other purposes. Because the current operating at full capacity, Bethesda will need to purchase additional necessary equipment, which will cost \$85 million. The equipment will be depreciated on a seven-year MACRS schedule. The contract will be for only four years. At the time the coal from the site will be entirely mined. The company feels that the equipment can be sold for 60 percent of its initial purchase price. However, Bethesda plans to open another strip mine at that site and will just the equipment at the new mine.

The contract calls for delivery of 500,000 tons of coal per year at a price of \$82 per ton. Bethesda Mining feels that coal production will be 620,000 tons, 680,000 tons, 730,000 tons, and 590,000 tons, respectively, over the next four years. The excess production will be sold in the spot market at an average of \$76 per ton. Variable costs amount to \$31 per ton, and fixed costs are \$4,100,000 per year. The mine will require a net working capital investment of 5 percent of sales. The 375% will be built up in the year prior to the start.

Bethesda will be responsible for reclaiming the land at termination of the mining. This will occur in year 5. The company uses an outside company for reclamation will be \$2.7 million. After the land is reclaimed, the company plans to donate the land to the state for use as a public park and recreation area. This will occur in year 6 and result in a charitable expense deduction of \$6 million. Bethesda faces a 20 percent tax rate and has a 12 percent required return on new strip mine projects. Assume that a loss in any year will result in a tax credit.