

2011 State FFA Farm Business Management Test

Part 1

1. Deposits at commercial banks are insured by
 - a.the Federal Reserve
 - b.the Treasury
 - c.the FDIC
 - d.the Chicago Mercantile Exchange

2. Initially, the general price level is 100. If, 6 months later, the general price level is 102, the annual inflation rate has been
 - a.2 percent
 - b.4 percent
 - c.5 percent
 - d.12 percent

3. In the simplest terms, a market is the interaction of
 - a.goods and services
 - b.business with consumers and government
 - c.supply and demand
 - d.wholesalers and retailers

4. The king of a truly competitive market is the
 - a.supplier
 - b.producer
 - c.factory
 - d.consumer

5. The price of land depends on
 - a.its productivity
 - b.the price that its products command
 - c.the demand for it
 - d.all of the above

6. Trade quotas reduce total volume of imports
 - a.but have no effect on prices charged in the domestic market
 - b.but may lead to lower prices in domestic markets
 - c.and usually increase prices paid by consumers in domestic markets
 - d.all of the above

7. In reality our system of supply and demand is often not allowed to regulate itself. Which of the following usually interferes with the system?
 - a.consumers
 - b.producers
 - c.resource owners
 - d.governments

8. A purely competitive industry is characterized by
 - a. no single seller with any control over price
 - b. a single seller
 - c. much advertising
 - d. a small number of large firms

9. Which of the following are types of business organizations according to the legal system?
 - a. proprietorship, partnership, and corporation
 - b. monopoly, pure competition, and oligopoly
 - c. retail, wholesale, and service
 - d. primary, secondary, and tertiary

10. If you were to hedge your wheat in the futures market you would:
 - a. Sell a futures contract
 - b. Buy a futures contract
 - c. Buy an option in the futures market

11. Net farm income is determined by:
 - a. Cash inflows less cash outflows plus inventory change (can be positive or negative) less depreciation
 - b. Cash Farm income less cash farm expenses plus inventory change (can be positive or negative) less depreciation
 - c. Your tax preparer

12. If I purchased some farm land for \$1,500/acre, the real estate taxes were \$5/acre and I received 80\$/a cash rent what would my net return/acre be?
 - a. 5%
 - b. 875%
 - c. 5.33%
 - d. 7%

13. I weaned my calves and they weight 500# and I could get \$600 if I sold them, how much would I need to receive per pound (round to the closest \$.01) to breakeven if I fed them up to 800# and the cost per # of gain is \$.75 (dad is paying for all other expenses)?
 - a. \$.75
 - b. \$.94
 - c. \$1.03

14. Working Capital is
 - a. Assets minus current liabilities
 - b. Assets minus liabilities
 - c. Current assets minus current liabilities

15. The old crop insurance term APH stands for
- Actual production history
 - Actual planted history
 - Average production history
16. What is my net farm income if I have 100,000 of farm income, 20,000 of non-farm income, 65,000 of farm expenses(includes depreciation), 30,000 of non-farm expenses and 15,000 of principle owed on my tractor (there are no inventory changes)?
- \$10,000
 - \$35,000
 - \$20,000
 - \$40000
17. Net Farm Income includes a value for the operator's labor and management.
- True
 - False
18. Return on Farm Equity (ROE) includes a value for the operator's labor and management.
- True
 - False
19. Return on Farm Assets (ROA) includes a value for the operator's labor and management.
- True
 - False
20. If Return on Assets is higher than Return on Equity, then borrowed money is being used efficiently.
- True
 - False
21. EBITDA is a measure of cash available for debt servicing.
- True
 - False
22. Rate of Return on Assets is equal to the product of the Operating Profit Margin and Asset Turnover Rate.
- True
 - False
23. Direct expenses include a value for repairs.
- True
 - False
24. Direct expenses include a value for machinery depreciation.
- True
 - False

25. The Capital Replacement Margin factors in a value for net nonfarm income.
- True
 - False
26. The Operating Expense Ratio includes interest expense.
- True
 - False
27. The Value of Farm Production includes interest expense.
- True
 - False
28. An Accounts Payable is an expense that has been incurred but has not yet been paid.
- True
 - False
29. A farmer's goal may be to have a net income ratio of 20%. He/she wants a net income of at least \$80,000. What would be the \$ target for Gross Income on the accrual adjusted basis?
- \$160,000
 - \$400,000
 - \$1,600,000
 - none of the above
30. In Western ND, year 2010, the direct cost for Spring Wheat per acre was \$160. The total overhead expenses were \$ 27. The average yield per acre was 36 bushels. What was the break even price per bushel?
- \$ 3.69
 - \$ 4.44
 - \$ 5.19
 - \$6.00
31. In Western ND Pasture cost is about \$18 per aum, what is the equivalent rent per acre if the pasture produces .5 aums per acre?
- \$36.00
 - \$9.00
 - \$18.00
 - not enough info to complete calculation.
32. In a background feeder operation the total cost per pound of gain is about \$1.00. If a 550lb steer is purchased for \$140 per cwt and sold at \$120 per cwt weighing 800#, the net income will be:
- \$20
 - .\$190
 - (.-\$60)
 - \$250

33. On a properly prepared farmer's balance sheet is interest accrued to the date of the balance sheet and listed as a current liability?
- True
 - False
34. When a producer is deciding to spend money on an enterprise
- Marginal costs need to be greater than marginal returns
 - Marginal returns need to be greater than marginal costs
 - He should consult with his neighbors
 - He should consult with his spouse
35. On a properly prepared farmer's balance sheet net worth is determined by:
- Adding total assets to total liabilities
 - Subtracting current liabilities from current assets
 - Subtracting total assets from total liabilities
 - Subtracting total liabilities from total assets
36. When determining his cost to produce a bushel of wheat a farmer should not include overhead costs.
- True
 - False
37. When a farmer sells a 5000 bushel hedging contract on the futures market for wheat that is still standing in the field he has locked in a price for the 5000 bushels.
- True
 - False
38. On an agricultural producer's balance sheet, which of following contains only current liabilities?
- Principal due within a year on five year loans, cleaned home grown wheat seed
 - Accrued interest, calves that died within the last year
 - A broken water pump, amount owed implement dealer for machinery parts
 - Amount owed elevator for feed, principal due within a year on loans with a term of seven years
39. On an agricultural producer's balance sheet, which of following contains only current assets?
- Tractor, cow/calf pairs, \$500 in cash
 - Barley seed, fertilizer, pole barn
 - Feeder calves, corn silage, balance in checking account
 - Water well, wheat in a bin, herd bull
40. The amount of working capital an agricultural producer has is important because it is money he can use for operating purposes rather than having to borrow that amount.
- True
 - False

41. Which of the following directly affects a rancher's net return per cow?
- The cost per animal unit month of pasture
 - Market price for the calves at weaning
 - Pounds weaned per exposed cow
 - All of the above
42. Calvin, the cattleman, rented a 156 acre pasture for \$20 per acre for the year. He had 35 cow/calf pairs in the pasture for 120 days. Calvin had artificially inseminated the cows, and all cows appeared bred, so no bull was in the pasture with the cows. How many animal unit months (aum) did he use? Use one (1) aum equals one (1) cow/calf pair on pasture for 30 days.
- 120
 - 140
 - 156
 - 210
43. What was the cost per aum for the example in question 9 above?
- \$14.86
 - \$17.50
 - \$22.29
 - \$26.00
44. Basis is the difference between
- Futures market and local market
 - Futures market from month to month
 - Cash market from month to month
 - None of the above
45. Principal paid is a tax deductible expense
- True
 - False

Please use the North Dakota Farm Business Management Highlights to answer the following questions.

46. Which are true statements:
- Beef income was the lowest since 1996
 - Average yield for soybeans in the Valley was 31 bushels
 - Both A and B
 - None of the above
47. What year did the cows have the most profit per cow:
- 2002
 - 2003
 - 2004
 - 2005
 - 2006

48. Average Farm Fed how many lbs of feed per lb of gain.
- a. 3.91
 - b. 12.7
 - c. 14.79
 - d. 16.3
49. In region 3, Beef Backgrounding showed a net return of:
- a. 22.33
 - b. 18.45
 - c. 42.13
 - d. 29.19
50. Which region had the highest Net Farm Income.
- a. Region 1 (Red River Valley)
 - b. Region 2
 - c. Region 3
 - d. Region 4

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Key

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1. Deposits at commercial banks are insured by
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