March 7, 2006

Name: KEYc Participant # _____

2006
North Carolina FFA
Farm Business Management
JUNIOR DIVISION
Career Development Event

Section II: Problem Solving (200 points)

Read each problem carefully. The **main concept** of each problem is stated at the start of each problem. Read the entire problem before beginning work on that problem.

Section II contains four (4) problems. Check to see that you have 5 pages including the cover page. Some pages may contain more than one problem. The point value for each of your answers is stated in parenthesis to the right of each blank.

You have 100 minutes to complete this section of the Career Development Event.

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sponsored by
Southern States Cooperative, Inc

PROBLEM 1- Revenues and Costs (50 points)

1. Recognizing farm business revenues and expenses. Indicate whether the following items would be classified as income or expense. **Mark your answers with an x.** (2 points each)

Item	Revenue	Expense	Neither Revenue or Expense

Problem 4- Partial Budgeting (50 points)

A neighbor has offered to custom cut, bale and haul hay for the Barlowe Farms for $62 per ton. Assume the quality of the hay does not change. Prepare a partial budget on a per acre basis to analyze this alternative. Assume that each acre yields 2.5 tons of alfalfa hay. You must label the entries in the partial budget. The following information shows the potential cost savings per acre if Gerald chooses the new option for cutting, baling, and hauling alfalfa hay. **Note: Write "none" or "zero" in any category with no entry. Round answers to two decimal places.**

Operation	**Potential Cost Savings Per Acre**
Swathing	$40.32
Baling	$39.64
Hauling	$20.85

Total hours of labor saved are 6.5 hours while labor cost is $7.50 per hour.

Complete the partial budget form:
Proposed Change:
To get hay custom cut, baled, and hauled

Added Returns: Subtotal $ **none** (6)	Reduced Returns: Subtotal $ **none** (6)
Reduced Costs: **Swathing $ 40.32** **Baling 39.64** **Hauling 20.85** **Labor 48.75** Subtotal $ **149.56** (6)	Added Costs: **$62 * 2.5 $ 155.00** Subtotal $ **155.00** (6)
Total AR + RC $ **149.56** (6)	Total RR + AC $ **155.00** (6)
Net Change $ **(5.44)** (6)	

Should the change be implemented? Circle the correct response. (8 points)

Yes **No**

End of Problem Solving Section of 2006 FBM Junior Division CDE