March 9, 2011

Name: ___________________________Chapter Name: _____________

2011

North Carolina FFA

JUNIOR Farm Business Management Career Development Event

Section I: Multiple Choice (100 points)

There are 20 questions on this section of the event. Please check carefully to see that you have five pages including this cover page.

Read each question carefully. Circle the letter for the one best answer. Each question is worth four (4) points. You have 25 minutes to complete this section of the event.

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1) At the present output level, a perfectly competitive firm is in the following position: output, 5000 units; market price is $1.10 per unit; fixed costs are $2,000; variable costs are $1,000 and marginal cost is $1.00 per unit. The firm should:

   a) expand output.
   b) leave output unchanged.
   c) reduce output.
   d) close down.

2) The real interest rate is:

   a) the observed interest rate plus the rate of inflation.
   b) the nominal interest rate minus the observed interest rate.
   c) the observed interest rate minus the nominal interest rate.
   d) the observed interest rate minus the rate of inflation.

3) A capital investment that an investor is considering has an internal rate of return of 8%, the investor's discount rate or cost of capital is 12%. The investment:

   a) should be rejected.
   b) is profitable.
   c) has a positive net present value.
   d) none of the above.

4) A tool used in analyzing only changes in the farm operations and the potential change in net income is called the:

   a) cash flow projection
   b) enterprise budget
   c) total farm budget
   d) partial budget

5) A statement of projected costs and returns associated with one production process, usually for one production period is called the:

   a) cash flow projection
   b) enterprise budget
   c) total farm budget
   d) partial budget

6) Which of the following is considered to be a fixed cost?

a) feed purchased
b) machinery repairs
c) hired seasonal labor
d) depreciation on machinery

7) The Harding Farm Business decided that renting land on shares of production rather that for cash results in:

a) less risk for the landlord and more risk for the tenant.
b) more risk for the landlord and less risk for the tenant.
c) less risk for both the landlord and the tenant.
d) more risk for both the landlord and the tenant.

8) As the Harding Farm Business plants more acres of strawberries, which of the following costs is least likely to change?

a) total variable costs
b) average variable costs per acre
c) average fixed costs per acre
d) average total costs per acre

9) When an increase in the level of production of one enterprise causes a reduction in the level of production of another enterprise, these two enterprises are said to be:

a) independent.
b) supplementary.
c) complementary.
d) competitive.

10) When considering the production information for the cantaloupe enterprise, the Harding farm business is trying to get the maximum returns above variable costs. You as a farm management analyst, should recommend that the Harding farm business produce where:

a) marginal revenue is equal to average variable cost.
b) average total cost is equal to average total revenue.
c) marginal cost is equal to average total revenue.
d) marginal cost is equal to marginal revenue.

11) Enterprise accounting:

a) involves keeping records of receipts and expenses of each individual product or class of products.
b) separates taxable income from nontaxable income.
c) is required for income tax purposes.
d) differentiates between the value of the operator's labor, management, and capital.

12) A physical and financial plan for the entire farm business for a specific period of time is called the:

a) enterprise budget
b) cash flow projection
c) total farm budget
d) partial budget

13) The percent change in quantity divided by percent change in price is:

a) Demand
b) Utility
c) Elasticity
d) Margin

14) The difference in the future's price and local price is called:

a) Basis
b) Strike price
c) Net price
d) Premium

15) When an IRS agent reviews tax and farm records this is known as a(n) __________

a) audit
b) budget
c) reconciliation
d) tax credit

16) A supply curve shows the relationship between quantity supplied and

a) Quality
b) Demand
c) Price
d) Variety

17) Which of the following would not appear on a cash flow statement?

a) Interest paid on a loan for a tractor
b) Principal paid on a loan for a tractor
c) Depreciation expense on a tractor
d) Rental payment received from the neighbor who used the tractor.

18) A farmer is solvent if

a) she has sufficient current assets to cover current debts.
b) she has sufficient equity to cover debts.
c) she has more assets than all debts.
d) she can pay all debts with all equity.
e) All of the above

19) Speculators help to:

a) Increase the number of potential buyers and sellers in the market
b) Add to market liquidity
c) Facilitate hedging
d) All of the above

20) The difference between net worth and total assets is:

a) capital gain
b) capital loss
c) total liabilities
d) net profit