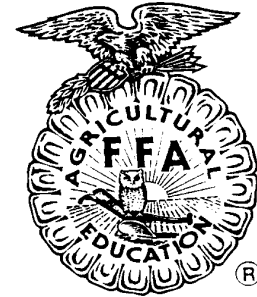


March 7, 2012

Name: _____ Chapter Name: _____



2012

North Carolina FFA

Farm Business Management Career Development Event

Section I: Multiple Choice (100 points)

There are 25 questions on this section of the event. Please check carefully to see that you have **six** 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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in cooperation with

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College of Agriculture and Life Sciences

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- 1) At the present output level, a perfectly competitive firm is in the following position: output, 4500 units; market price is \$0.80 per unit; fixed costs are \$1,200; variable costs are \$2,000 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) As the Brouwer Farm Business plants more acres of onions, 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
- 7) 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**
- 8) When considering the production information for the cantaloupe enterprise, the Brouwer farm business is trying to get the maximum returns above variable costs. You as a farm management analyst, should recommend that the Brouwer 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.**
- 9) Fundamental market analysis in commodity hedging and/or speculating is most useful in determining:
- a) Entry levels
 - b) Exit levels
 - c) Market direction
 - d) Market momentum
 - e) All of the above**
- 10) The percent change in quantity divided by percent change in price is:
- a) Demand
 - b) Utility
 - c) Elasticity**
 - d) Margin

- 11) The difference in the future's price and local price is called:
- a) **Basis**
 - b) Strike price
 - c) Net price
 - d) Premium
- 12) A decrease in the value of the U.S. dollar relative to other countries currency should:
- a) Have no effect on imports or exports to the U.S.
 - b) Increase exports from other countries to the U.S.
 - c) Less costly imports to the U.S.
 - d) **More costly imports to the U.S.**
- 13) A market that has a uniform commodity such as corn or soybeans with many buyers and sellers is:
- a) Monopolistic competition
 - b) A monopoly
 - c) An oligopoly
 - d) **Pure competition**
- 14) 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.
- 15) 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

- 16) The difference between net worth and total assets is:
- a) capital gain
 - b) capital loss
 - c) total liabilities**
 - d) net profit
- 17) The law of supply states that, holding other things constant:
- a) As price rises, supply will rise
 - b) As price rises, supply will decline
 - c) As price falls, quantity supplied rises
 - d) As price falls, quantity supply declines
- 18) A principal payment on a loan is normally included as:
- a) An expense on an income statement
 - b) A use of cash on a cash flow statement**
 - c) A source of cash on a cash flow statement
 - d) All of the above
 - e) None of the above
- 19) A _____ gives the seller the right, but not the obligation to purchase the underlying futures at the _____.
- a) Hedge-to-arrive contract, strike price.
 - b) Put option, strike price
 - c) Put option, opening bell
 - d) Call option, daily closing price
 - e) Call option, strike price**
- 20) A farmer has a debt-to-asset ratio of 0.40. The current liabilities total \$60,000 and the non-current liabilities total \$120,000. What is the value of the assets?
- a) \$300,000
 - b) \$150,000
 - c) \$72,000
 - d) \$450,000**
 - e) None of the above

- 21) For purposes of deducting expenses when preparing income taxes, which assets are not normally depreciated?
- a) Raised breeding livestock
 - b) Crops in the field
 - c) Livestock purchased for resale
 - d) Land
 - e) **All of the above**
- 22) The accrual income statement is used to analyze:
- a) The equity position of a farm business
 - b) Solvency
 - c) **Profitability**
 - d) All of the above
 - e) None of the above
- 23) When conducting a capital budgeting investment analysis, a higher discount rate will:
- a) Increase the NPV of the investment
 - b) **Decrease the NPV of the investment**
 - c) Make the investment more profitable
 - d) Not change the results of the analysis
 - e) None of the above
- 24) Which of the following is normally included on a cash flow statement but not on the income statement?
- a) **Principal payments on loans**
 - b) Cash payments for operating inputs
 - c) Interest payments
 - d) All of the above
 - e) None of the above
- 25) If resource allocation is efficient then
- a) it is possible to improve one person's well being without harming another through changes in resource use
 - b) **it is not possible to reallocate resources to make one person better off without harming another**
 - c) it is possible to increase net benefits from production by reallocating goods among consumers
 - d) it is possible to increase production of one good or service without reducing the production of another