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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1) 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.

2) 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

3) As the Holbrook Farm Business plants more acres of wheat, 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

4) 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.

5) The percent change in quantity divided by percent change in price is:
   a) Demand
   b) Utility
   c) Elasticity
   d) Margin
6) An increase 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.

7) 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**

8) 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.

9) The difference between net worth and total assets is:
   
   a) capital gain
   b) capital loss
   c) **total liabilities**
   d) net profit

10) The law of demand states that, holding other things constant:
    
    a) As price rises, demand will rise
    b) As price rises, demand will decline
    c) **As price falls, quantity demanded rises**
    d) As price falls, quantity demanded declines

11) 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
12) 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

13) The Holbrook farm purchased a tractor, pickup, and hay bailer in 2011. On the income statement, the expense associated with this purchase will be which of the following?
   a) The cash paid for the purchased items
   b) The cash plus the value of any trade-in
   c) **Depreciation allowed during the first year**
   d) The value of any trade-ins

14) Current farm assets are typically valued at
   a) Cost
   b) **Market value**
   c) Depreciated value
   d) Cost less depreciation

15) Which of the following is not one of the basic financial statements?
   a) Balance sheet
   b) Income statement
   c) **Monthly bank statement**
   d) Statement of owner equity

16) The 1040 Schedule F is an example of which type of income statement?
   a) **Cash Income Statement**
   b) Accrual Adjusted Income Statement
   c) Accrual Income Statement
   d) Gross Income Statement
17) Inventory changes and changes in the value of prepaid expenses are used to calculate which of the following?

   a) Net cash income from operations  
   b) Accrual adjusted net farm income from operations  
   c) Gross cash income  
   d) Depreciation

18) The prices of winter wheat, dry beans, and corn silage tend to move together in the same direction. What is the statistical term for this?

   a) Correlation  
   b) Variance  
   c) Standard deviation  
   d) Covariance

19) In a set of data, which of the following refers to the number that occurs the most frequently?

   a) Mean  
   b) Median  
   c) Mode  
   d) Average

20) What does marginal cost measure?

   a) The output cost from production of one unit of input  
   b) The change in cost from one enterprise to another  
   c) The change in total cost from adding another unit of input  
   d) The change in cost by producing another unit of output