

March 5, 2013

Name: _____ Chapter Name: _____



2013

North Carolina FFA

Farm Business Management Career Development Event

Section I: Multiple Choice (100 points) KEY

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) 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
- 14) 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
- 15) Current farm assets are typically valued at
- a) Cost
 - b) Market value**
 - c) Depreciated value
 - d) Cost less depreciation
- 16) 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

- 17) 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
- 18) A balance sheet will list which of the following items:
- a) **Assets & Liabilities**
 - b) Receipts & Expenses
 - c) Expenses & Assets
 - d) Liabilities & Expenses
- 19) 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
- 20) 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
- 21) For a set of data, which of the items below is a statistical measure of variation?
- a) Correlation
 - b) **Variance**
 - c) Mean
 - d) Median

- 22) 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
- 23) Farmers use revenue crop insurance to protect against adverse outcomes. This type of crop insurance helps protect against which of the following?
- a) Low crop yields and prices**
 - b) High crop yields and prices
 - c) Increases in production costs
 - d) Failure of a grain buyer to make prompt payment upon delivery.
- 24) 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
- 25) On the Production Function graph the $MC=MR$, what does this tell the producer?
- a) Where the losses will be the least
 - b) Where change in cost and change in revenue are the same
 - c) Where the profits are the greatest
 - d) All the above**