March 4, 2015

Name: Participant #:

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**2015**

#### North Carolina FFA

### Farm Business Management- **JUNIOR DIVISION**

### 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 **four (4)** pages including this cover page.

Read each question carefully. **Circle the letter for the one best answer.** Each question is worth five (5) points. You have **30 minutes** to complete this section of the event.

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in cooperation with

Department of Agricultural and Extension Education

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1. Almost \_\_\_\_\_\_\_\_\_\_\_\_\_of all U.S. farms are owned by individuals, family partnerships, and

family corporations.

**a) 97%**

b) 1%

c) 94%

d) 22%

2. American farmers and ranchers receive only \_\_\_\_\_\_\_\_ out of every dollar spent on food that   
 is eaten at home and away from home.

**a) 19 cents**

b) 31 cents

c) 81 cents

d) 69 cents

3. Agribusiness in the United States:

a) is the largest industry in the United States.

b) accounts for about 20% of the national total economic output.

c) is the country’s largest single employer, providing more than one out of every   
 five jobs.

**d) all of the above**

4. American farmers could be:

a) business people.

b) environmentalists.

c) animal caretakers.

**d) all of the above**

5. The value of a resource in its next best use is called:

a) fixed cost.

**b) opportunity cost.**

c) sunk cost.

d) variable cost.

6. The four factors of production are:

a) cash inflows, assets, rent payments received, and profits.

b) seed, feed, fertilizer, and chemicals.

**c) land, labor, capital, and management.**

d) records, budgets, financial statements, and income tax returns.

7. 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**.

8. A capital investment that an investor is considering has an internal rate of return of 16%, the

investor’s discount rate or cost of capital is 12%. The investment:

**a) should be accepted.**

b) is not profitable.

c) has a negative net present value.

d) none of the above.

9. A statement of projected costs and returns for an entire farm plan is called the:

a) cash flow projection.

**b) whole farm budget.**

c) enterprise budget.

d) partial budget.

10. The percent change in quantity demanded divided by percent change in price is:

a) income elasticity of demand

b) income elasticity of supply

**c) price elasticity of demand**

d) price elasticity of supply

11. 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

12. The law of demand states that, holding other things constant, as price rises:

a) supply will rise.

b) demand will remain constant.

c) quantity demanded rises.

**d) quantity demanded declines.**

13**.** A situation in which a single company or group owns all or nearly all of the market for a   
 given type of product or service is called:

a) pure competition.

b) competitive.

c) monopolistic competition.

**d) a monopoly.**

14**.** The purpose of income tax management is to:

a) simplify a farm’s revenue and expenses.

b) hide as much farm income as possible.

c) minimize what your send to the Internal Revenue Service.

**d) maximize after tax profits.**

15. The ability of a business to meet cash flow obligations as they come due is called:

**a) liquidity**

b) solvency

c) depreciation

d) liability

16. The method used to figure out how much future payments are worth today is   
 known as:

a) compounding.

**b) discounting.**

c) amortization.

d) depreciation.

17. The partnership is:

a) the oldest and simplest form of business organization.

b) the most popular form of organization.

c) owned and controlled by one person.

**d) two or more people operate as co-owners.**

18. 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

19. By adding a feed mill to a dairy cattle operation, a producer becomes more:

a) specialized.

**b) diversified.**

c) integrated.

d) motivated.

20. 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.**

**End of the *multiple choice section* of the 2015 NC FBM Junior CDE**