

FFA Farm Business Management Career Development Event

State Preliminary

January, 2004

PART I

100 Points
1 Hour

For each question choose the best answer. All answers are rounded off to two decimal places. Because of rounding errors and/or alternative computational techniques, your answer may be a penny or two different from the choice given. Don't let this bother you--choose the best answer. Each question is worth 4 points.

Your test packet should include questions 1-25.

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1. A marketing function that tends to regulate the supply of a product and to stabilize market price is:
 - a. processing.
 - b. promotion.
 - c. grading.
 - d.* storage.

2. The nominal interest rate is:
 - a.* the observed interest rate.
 - b. the rate of inflation minus the observed interest rate.
 - c. the observed interest rate minus the internal rate of return.
 - d. the observed interest rate minus the rate of inflation.

3. A farmer last year produced 1,000 acres of cotton, this year to reduce risk the farmer plans to produce 250 acres each of cotton, tobacco, hay and corn, this is an example of:
 - a. vertical integration.
 - b. horizontal integration.
 - c.* diversification.
 - d. leverage.

4. Which of the following would be considered in a cash flow budget?
 - a.* paid family labor.
 - b. accrued taxes.
 - c. depreciation.
 - d. all the above.

5. Assume upward sloping supply curves and downward sloping demand curves. Suppose there is a simultaneous change in supply and demand, which causes you to correctly predict that market price will increase but the effect on market quantity is unclear. There must have been:
 - a. an increase in demand and supply.
 - b. a decrease in demand and supply.
 - c.* an increase in demand and a decrease in supply.
 - d. an increase in supply and a decrease in demand.

6. The marketing mix, or four P's, are price, place, product and:
 - a. planning.
 - b.* promotion.
 - c. purpose.
 - d. profit.

7. A patronage dividend is:
 - a. a profit paid to management.
 - b.* a refund made to members of a cooperative.
 - c. money paid from profit to shareholders of a corporation.
 - d. interest paid on long-term debt.

8. The ratio in the box to the right is:
 - a.* the current ratio.
 - b. the net capital ratio.
 - c. always greater than one.
 - d. the quick (or acid test) ratio.

9. The relationship of changes in quantity supplied or demanded to changes in price is:
 - a. price ceiling.
 - b. price war.
 - c. price floor.
 - d.* price elasticity.

10. A market structure that is characterized by firms engaging in heavy advertising to differentiate their own product from their competitors is:
 - a. a monopoly.
 - b.* an oligopoly.
 - c. pure competition.
 - d. none of the above.

11. A mortgage payment and a coupon payment on a government bond are both examples of:
 - a. items subject to tax recapture.
 - b.* annuities.
 - c. compounding.
 - d. accrued expenses.

12. The internal rate of return is the interest rate that would:
- a.* make the net present value equal to zero.
 - b. make the net present value positive.
 - c. be equal to the annual percentage rate (APR).
 - d. be used by the Internal Revenue Service.
13. A firm has the following production relationship between labor and output, for a fixed capital stock.
- | LABOR | OUTPUT |
|-------|--------|
| 0 | 0 |
| 1 | 5 |
| 2 | 11 |
| 3 | 18 |
| 4 | 23 |
| 5 | 26 |
- At what level of labor usage does diminishing marginal returns begin?
- a. 1
 - b. 2
 - c.* 4
 - d. 5
14. Marginal costs are defined as:
- a. total cost divided by output.
 - b. change in total cost divided by output.
 - c.* change in total cost divided by change in output.
 - d. change in fixed cost divided by change in marginal output.
15. If assets, carried on the balance sheet at historical cost, have a market value which exceeds historical cost:
- a.* net worth will be understated.
 - b. net worth will be negative.
 - c. total assets will be overstated.
 - d. net worth will be overstated.
16. The basis of a futures contract reflects:
- a. time differences.
 - b. location differences.
 - c. quality differences.
 - d.* all the above.

17. A firm has total current assets of \$500,000, total assets of \$1,200,000, total current liabilities of \$250,000, real estate debt of \$350,000 and total liabilities of \$600,000.
- a. The debt to asset ratio is .5.
 - b. The debt to equity ratio is 1.0.
 - c. The firm is solvent.
 - d.* all the above.
18. The yield at which total revenue will just equal total expenses is:
- a.* break-even yield.
 - b. break-even price.
 - c. basis yield.
 - d. basis-even yield.
19. There have been particularly favorable weather conditions this year and the good harvest results in depressed crop prices and lower total farm receipts for crop farms, this means that:
- a. demand for the crops has increased.
 - b.* demand is inelastic.
 - c. supply is highly elastic.
 - d. supply and demand are in disequilibrium.
20. The abbreviation for hundredweight (equal to 100 pounds) is:
- a. 100#.
 - b. tcw.
 - c. 100pd.
 - d.* cwt.
21. The discount rate used to calculate the net present value of an investment is the:
- a. internal rate of return.
 - b.* cost of capital.
 - c. prime interest rate.
 - d. either a or b.
22. The amount of money deposited by buyers and sellers of futures contracts to insure performance is:
- a. down payment.
 - b.* margin.
 - c. an option.
 - d. the strike price.

23. Which of the following will be NOT depreciated over its service life?
- a. A building.
 - b. * Inventory.
 - c. A tractor.
 - d. A purchased breeding bull.
24. A government tax on imported products (such as oranges from Brazil into the U.S.) that has the effect of reducing imports is a(n) :
- a. dumping.
 - b. embargo.
 - c. quota.
 - d.* tariff.
25. The FTAA meetings were held in Miami in November, FTAA is the:
- a. Future Trade for Agriculture Association .
 - b. Farm Tariff of America Agreement.
 - c.* Free Trade Area of the Americas.
 - d. Farmer's Trade in America Alliance.