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Name \_\_\_\_\_ Chapter \_\_\_\_\_

**2004 STATE FINAL**  
**FLORIDA FFA FARM BUSINESS**  
**MANAGEMENT CONTEST**  
**PART I--MULTIPLE CHOICE**

100 Points

1 Hour

**Directions:**

1. The first part of the contest is multiple choice questions. Place your answer to each question on this sheet (which you may separate from the questions). You should have 25 questions. Please take a minute to be certain your exam is complete. This is your responsibility.
2. Each multiple choice question is worth 4 points. For each question select the one, best answer from among the choices.
3. You may use a calculator.

**Multiple choice answers:**

1 _____	6 _____	11 _____	16 _____	21 _____
2 _____	7 _____	12 _____	17 _____	22 _____
3 _____	8 _____	13 _____	18 _____	23 _____
4 _____	9 _____	14 _____	19 _____	24 _____
5 _____	10 _____	15 _____	20 _____	25 _____

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1. A ratio showing the number of units of production generated per unit of resource (or input) is:
  - a. a liquidity ratio.
  - b. a leverage ratio.
  - c. \* an efficiency ratio.
  - d. a profitability ratio.
  
2. An investment that an investor is considering has an internal rate of return of 12%, the investor's discount rate is 8%. The investment:
  - a. should be rejected.
  - b. is not profitable.
  - c. \* has a positive net present value.
  - d. none of the above.
  
3. The "law of demand" states that as:
  - a. \* price falls, quantity demanded increases.
  - b. price rises, quantity supplied increases.
  - c. price rises, quantity demanded increases.
  - d. price falls, demand increases.
  
4. An arrangement where the lender transfers funds to the borrower, as the funds are needed, up to a maximum amount, is:
  - a. a mortgage.
  - b. an account receivable.
  - c. a lease.
  - d. \* a line of credit.
  
5. The true annual rate at which interest is charged on a loan is the:
  - a. internal rate of return (IRR).
  - b. \* annual percentage rate (APR).
  - c. nominal percentage rate (NPR).
  - d. real percentage rate (RPR).
  
6. The additional income received from selling an additional unit of output is:
  - a. marginal revenue.
  - b. the output price for a firm in a perfectly competitive market.
  - c. the output price for a firm in an oligopolistic market.
  - d. \* both a and b.

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7. The combination of two firms at consecutive stages of production and marketing, for example one firm that produces the commodity and a second firm that transports that commodity, is:

- a.\* vertical integration.
- b. horizontal integration.
- c. vertical interdependence.
- d. horizontal interdependence.

8. The ratio below is:

$$\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

- a. the current ratio.
  - b. always less than one.
  - c. always greater than one.
  - d.\* the quick (or acid test) ratio.
9. An increase in the cost of producing a particular commodity, i.e. an input price increase or new costly government regulation, will:

- a. decrease demand.
- b.\* decrease supply.
- c. increase supply.
- d. cause the price of the commodity to decrease.

10. The internal rate of return is the discount 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.

11. Which of the following will NOT change the current ratio?

- a. Increase in accounts receivable.
- b. Increase in accounts payable.
- c.\* Collection of an accounts receivable.
- d. Selling land owned by the company.

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12. 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.
13. 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.
14. A characteristic of an agribusiness corporation is that it:
- a. is always highly profitable.
  - b. does not pay taxes, the different partners in the corporation pay taxes.
  - c. is not allowed to lend money to farmers.
  - d.\* is owned by the shareholders.
15. The market situation where there is only one seller of a product is:
- a. an oligopoly.
  - b. a monopsony.
  - c. a dictatorship.
  - d.\* a monopoly.
16. Which one of the following would be expected to lead to the largest decrease in market price, all other things the same?
- a. Increase in demand and no change in supply.
  - b. Decrease in demand and no change in supply.
  - c. Increase in demand and decrease in supply.
  - d.\* Decrease in demand and increase in supply.
17. On a balance sheet total assets are equal to:
- a. liabilities minus net worth.
  - b. equity plus net worth.
  - c.\* liabilities plus net worth.
  - d. debt to equity ratio times equity.

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18. The marketing mix, or four P's, are price, place, product and:
- a. planning.
  - b.\* promotion.
  - c. purpose.
  - d. profit.
19. Which of the following is NOT a discounted cash flow method for making an investment analysis?
- a. Net Present Value.
  - b. Average Accounting Rate of Return.
  - c. Payback Analysis.
  - d.\* Both b and c.
20. The operating breakeven point is the:
- a. unit volume at which total cost equals variable cost.
  - b. unit volume at which total revenue equals fixed cost.
  - c. unit volume at which variable cost equals fixed cost.
  - d.\* unit volume at which total revenue equals total cost.
21. A summary of the financial situation for a business at a point in time, such as the end of the accounting period, is a/an:
- a.\* balance sheet.
  - b. income statement.
  - c. cash flow statement.
  - d. benefit-cost ratio.
22. Your firm has lowered its price by 10% and, as a result increased the amount it can sell by less than 10%. The demand for your company's product is:
- a. perfectly elastic.
  - b. elastic.
  - c. perfectly inelastic.
  - d.\* inelastic.
23. A market participant who believes that prices are too high and will decrease, (or a market where prices are decreasing) is referred to as a/an:
- a. efficient market.
  - b. bull market.
  - c. thin market.

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- d. \* bear market.
24. The government imposes a maximum price on corn that is BELOW the equilibrium price. You accurately predict that:
- a. the law will have no economic impact.
  - b. the law will create a surplus of corn.
  - c.\* the law will create a shortage of corn.
  - d. the equilibrium price will fall to government price.
25. DJIA is the abbreviation for:
- a. Dow Jones Industrial Account.
  - b. Dow Jones Interest Annuity.
  - c. \* Dow Jones Industrial Average.
  - d. Dow Jones Index Average.

END OF PART I