

FFA Farm Business Management Career Development Event

State Preliminary

January, 2008

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. You should have six numbered pages including this page.

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1. Assets are equal to:
 - a. liabilities minus owner's equity.
 - b. owner's equity plus net farm income.
 - c.* liabilities plus owner's equity.
 - d. owner's equity minus net farm income.

2. Your bank for savings accounts recently switched from compounding weekly to where they now compound daily, assuming the interest rate stays the same, your deposits and withdrawals do not change, and nothing else changes, then:
 - a.* you will have more money in your savings account in 5 years.
 - b. you will have less money in your savings account in 5 years.
 - c. you will have the same amount of money in your savings account in 5 years.
 - d. your bank will be losing money in 5 years.

3. Which of the following assets will not be depreciated over its service life?
 - a. buildings.
 - b. furniture.
 - c.* land.
 - d. equipment.

4. What can be found on an income statement?
 - a. assets, revenues and expenses.
 - b.* revenues, expenses and net profit (loss).
 - c. revenues, expenses, and stockholders' equity.
 - d. assets, liabilities and stockholders' equity.

5. The percentage change in the quantity of a good demanded associated with a one percent change in its price is:
 - a. the slope of the demand curve.
 - b.* price elasticity of demand.
 - c. price elasticity of supply.
 - d. cross-price elasticity.

6. The Farm Credit Services obtains funds to lend to farmers from:
 - a. the U.S.D.A (federal government).
 - b. the farmers' deposits into savings and checking accounts.
 - c.* selling notes and bonds in the money market.
 - d. the state government.

7. Which of the following will change the current ratio for a firm?
 - a.* a company selling additional shares of stock.
 - b. transfer of cash to a savings account.
 - c. collection of an accounts receivable.
 - d. none of the above.

8. The total depreciation over an asset's useful life is equal to:
 - a.* cost minus salvage value.
 - b. cost plus salvage value.
 - c. book value.
 - d. salvage value.

9. Which of the following is a technique for raising farm prices above the market equilibrium level?
 - a. price ceiling.
 - b. export tariffs.
 - c.* price floor or price support programs.
 - d. all of the above raise prices.

10. At low interest rates:
 - a. the demand for credit is low.
 - b. the demand for credit is high.
 - c. the quantity of credit demanded is low.
 - d.* the quantity of credit demanded is high.

11. Which one of the following would be expected to lead to the largest decrease in market equilibrium quantity, all other things the same?
- a. increase in demand and decrease in supply.
 - b. decrease in demand and increase in supply.
 - c. increase in demand and increase in supply.
 - d.* decrease in demand and decrease in supply
12. A citrus farmer borrowed \$100,000 with a 10 year loan at 8 per cent annual interest. He will repay the loan with equal annual payments. What type of loan is this?
- a. revolving credit.
 - b.* amortized.
 - c. operating loan.
 - d. balloon.
13. The change in retained earnings is affected by which of the following?
- a. net income and common stock.
 - b. net income and paid-in capital.
 - c.* net income and payment of dividends.
 - d. payment of dividends and common stock.
14. Who stands to gain as a result of continued unanticipated inflation?
- a.* people in debt.
 - b. people that lend.
 - c. people living on a fixed retirement income.
 - d. the rich.
15. Which of the following is NOT considered a current asset?
- a. accounts receivable.
 - b. inventories.
 - c.* accounts payable.
 - d. taxes paid this year.

16. Marginal revenue:
- a. is the increase in total revenue resulting from selling one more unit.
 - b. is the average revenue for a perfectly competitive firm.
 - c. is the price of the product for a perfectly competitive firm.
 - d.* all the above.
17. The receipt of (or payment of) a series of uniform payments over a period of time is:
- a.* an annuity.
 - b. accrued interest.
 - c. offsetting an option contract.
 - d. offsetting a futures contract.
18. The interest rate used to calculate Net Present Values is:
- a. dividend yield.
 - b. consumer price index (CPI).
 - c. internal rate of return.
 - d.* discount rate.
19. Which of the following will NOT affect the market supply curve for lettuce?
- a. a December freeze in central and south Florida.
 - b.* the price of lettuce increases.
 - c. more farmers switch from growing tomatoes to growing lettuce.
 - d. the price of fertilizer doubles.
20. A firm has increased the amount of leverage it uses. This means that the firm:
- a. sold additional common stock.
 - b. bought insurance.
 - c. paid off a loan.
 - d.* borrowed money.

21. A price and quantity pattern that repeats every 5 years is an example of:
- a. a seasonal pattern.
 - b.* a cycle.
 - c. a trend.
 - d. a technical.
22. Gross profit is defined to be:
- a. net income plus taxes.
 - b. the same as earnings before taxes (EBIT).
 - c.* revenue from sales less cost of goods sold.
 - d. depreciation plus other fixed costs.
23. At the present output level, a perfectly competitive firm is in the following position: output, 5,000 units; market price is \$1.10 per unit; fixed costs are \$2,000; variable costs are \$1,000 and marginal cost is \$1.00 per unit. The firm should:
- a.* expand output.
 - b. leave output unchanged.
 - c. reduce output.
 - d. close down.
24. The type of business where one owner of the business may be liable for the debts incurred by another owner of the same business is a:
- a.* partnership.
 - b. corporation.
 - c. sole proprietorship.
 - d. all the above.
25. The S&P of the S& P 500 stands for
- a. Stocks and Prices.
 - b. Services and Professional.
 - c.* Standard and Poor's.
 - d. Senior and Preferred.