

FFA Farm Business Management  
Career Development Event

State Preliminary

January, 2007

##### 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. What is the balancing equation for the balance sheet?
  - a.  $\text{assets} = \text{liabilities} + \text{stockholders' equity}$
  - b.  $\text{revenue} - \text{expenses} = \text{net income}$
  - c.  $\text{assets} + \text{stockholders' equity} = \text{liabilities}$
  - d.  $\text{assets} + \text{liabilities} = \text{stockholders' equity}$
  
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. An amortized loan with equal total payments will have:
  - a. a decreasing amount of principal paid in each successive payment.
  - b. the same amount of principal paid in each payment.
  - c. the same amount of interest in each payment.
  - d. a decreasing amount of interest paid in each successive payment.
  
4. A summary of the financial situation for a business at a point in time is a/an:
  - a. balance sheet.
  - b. income statement.
  - c. partial budget.
  - d. benefit/cost ratio.
  
5. A higher discount rate implies a \_\_\_\_\_ present value.
  - a. lower.
  - b. higher.
  - c. negative.
  - d. none of the above.

6. The price of one country's currency in terms of another country's currency is:
  - a. balance of payments.
  - b. exchange rate.
  - c. comparative advantage.
  - d. tariff.
  
7. Which of the following will change the current ratio for a firm?
  - a. purchase of land using cash.
  - b. transfer of cash to a savings account.
  - c. collection of an accounts receivable.
  - d. none of the above.
  
8. The balance sheet for H. P. Farmer has total assets of \$760,000, total liabilities of \$468,000; H. P. Farmer is:
  - a. insolvent.
  - b. profitable.
  - c. solvent.
  - d. illiquid.
  
9. Which of the following is NOT a technique for raising farm prices above the market equilibrium level?
  - a. price ceiling.
  - b. import tariffs.
  - c. price floor or price support programs.
  - d. all of the above raise prices.
  
10. Which of the following is NOT a decision faced by a firm in a perfectly competitive industry?
  - a. how much to produce?
  - b. what price to charge?
  - c. how to produce?
  - d. how much of each input to use?

11. The statement of cash flows segregates cash inflows and cash outflows by:
- operating and financing activities.
  - financing and investing activities.
  - operating, financing and investing activities.
  - operating and investing activities.
12. The process of compounding is the inverse of:
- amortizing.
  - discounting.
  - present value.
  - annualizing.
13. What is a common-size balance sheet?
- a statement that expresses each account on the balance sheet as a percentage of net income.
  - a statement that is common to an industry.
  - a statement that expresses each asset account on the balance sheet as a percentage of total assets, and each liability account on the balance sheet as a percentage of total liabilities.
  - a statement that expresses each account on the balance sheet a percentage of total assets.
14. How are costs of assets that benefit a firm for more than one year allocated?
- depreciation
  - amortization
  - costs are divided by service lives of assets and allocated to repairs
  - both a and b
15. Which of the following is NOT considered a current liability?
- accounts receivable.
  - the interest and principal due this year on the real estate mortgage.
  - accounts payable.
  - taxes due this year.

16. Marginal cost:
- a. is the increase in total cost resulting from producing one more unit.
  - b. is the average cost of production.
  - c. will be equal to an increase in total variable cost resulting from producing one more unit.
  - d. a and c.
17. What do current assets and current liabilities have in common?
- a. current assets are claims against current liabilities.
  - b. if current assets increase there will be a corresponding increase in current liabilities.
  - c. current assets and current liabilities are converted into cash.
  - d. current liabilities and current assets are those items that will be satisfied and converted into cash, respectively.
18. The cost that is measured by the income a productive factor would receive in its best alternative employment is:
- a. basis.
  - b. marginal cost.
  - c. salvage value.
  - d. opportunity cost.
19. Which of the following will be least likely to cause a shift in the supply curve for Florida oranges?
- a. an increase in harvestable acreage.
  - b. a January freeze in Florida.
  - c. an increase in the price of labor used to harvest oranges.
  - d. a decrease in the price of oranges.
20. All possible combinations between a variable input and the output being produced is called:
- a. a cost function.
  - b. a variable cost function.
  - c. a profit function.
  - d. a production function.

21. A price and quantity pattern that repeats every year is an example of:
- a seasonal pattern.
  - a cycle.
  - a trend.
  - a technical.
22. A risk management marketing tool involving the substitution of a futures market transaction for a cash transaction is:
- speculation.
  - a hedge.
  - an option.
  - a margin call.
23. A farm's demand curve for its product:
- is the same as the market demand curve.
  - is negatively sloped.
  - is the market price.
  - is the same as the farm's total revenue curve.
24. The type of business where the owners of the business may not be liable for the debts of business is a:
- partnership.
  - corporation.
  - sole proprietorship.
  - all the above.
25. The FASB is:
- the Fixed Asset Salvage Basis.
  - the Foreign Agency for Securitization Benchmarking.
  - the Financial Accounting Standard Board.
  - the Farm Allowance for Stock Breeders.