

FFA Farm Business Management Career Development Event

State Final

April, 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.

Team results will be posted around 5:00pm this afternoon at the website listed below. Teachers may request individual results by e-mail to Dr. Drummond at evd@ufl.edu.

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1. Which of the following assets will not be depreciated over its service life?:
 - a. machinery.
 - b. equipment.
 - c. buildings.
 - d. land.

2. The debt to asset ratio for a firm is 50%; this means that:
 - a. The firm is close to being bankrupt.
 - b. The debt to equity ratio is 100%.
 - c. The firm is profitable.
 - d. The firm does not use leverage.

3. The present value of \$100 received one year from today, assuming an interest rate of 10% discounted annually is:
 - a. \$110.
 - b. $\$100/(1.1)^{12}$.
 - c. $\$100^{12}/(1.1)$.
 - d. \$90.91.

4. Which one of the following would be expected to lead to the largest increase in the market equilibrium price, 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 increase in supply

5. A Treasury bond is:
 - a. Borrowing by the Federal Government with a maturity date of 10 or more years.
 - b. Short term (3 to 6 month) borrowing by the Federal Government.
 - c. Short term (3 to 6 month) borrowing by a corporation.
 - d. Lending by the Federal Government with a maturity date of 20 or more years.

6. How is it possible for a firm to be profitable and still go bankrupt?
 - a. Earnings increase more rapidly than sales.
 - b. The firm has positive net income but fails to generate cash from the operation.
 - c. Net income has been adjusted for inflation.
 - d. Sales have not improved even though credit policies have been eased.

7. Current assets minus inventory divided by current liabilities is:
 - a. the acid test or quick ratio.
 - b. the current ratio.
 - c. a ratio for measuring liquidity.
 - d. both a and c.

8. What does the balance sheet contain?
 - a. assets.
 - b. liabilities.
 - c. equity.
 - d. all the above.

9. The "law of supply" implies that as:
 - a. price falls quantity supplied increases.
 - b. price rises quantity supplied increases.
 - c. price rises quantity supplied decreases.
 - d. price falls supply increases.

10. A ratio showing the percent of earnings generated per dollar of assets invested in the firm is:
 - a. a liquidity ratio.
 - b. a leverage ratio.
 - c. an efficiency ratio.
 - d. a profitability ratio.

11. Which of the following is a current asset?
 - a. accounts receivable.
 - b. the principal due this year on the mortgage.
 - c. taxes due this year.
 - d. none of the above.

12. The market situation where there is only one seller of a product is:
- an oligopoly.
 - a monopsony.
 - a dictatorship.
 - a monopoly.
13. To increase revenue an ice cream retailer is planning to decrease prices this action will be successful if:
- income elasticity is unitary.
 - demand for the ice cream has zero price elasticity.
 - demand for the ice cream is inelastic.
 - demand for the ice cream is elastic
14. What can be found on an income statement
- assets, revenues and expenses.
 - revenues, expenses and net profit (loss).
 - revenues, expenses, and stockholders' equity.
 - assets, liabilities and stockholders' equity.
15. A strategy of acquiring assets for the firm with a large proportion of borrowed funds is:
- economies of size.
 - overhead.
 - leverage.
 - sunk cost.
16. What is a common-sized income statement?
- a statement that expresses each account on the income statement a percentage of net income.
 - an income statement that is common to an industry.
 - a statement that expresses each account on the income statement percentage of total assets.
 - a statement that expresses each account on the income statement as a percentage of total sales

17. The net cash revenue from Investment A is \$2,000 in year one, \$2,000 in year two, and \$2,000 in its final year. Investment B has net cash revenues of \$1,000 in year one, \$2,000 in year two, and \$3,000 in year three. When evaluating these two investments:
- they both will have negative net present values.
 - they have identical payback periods.
 - Investment B will have the higher discounted net cash revenue.
 - Investment A will have the higher discounted net cash revenue.
18. When a firm is able to pay all its current liabilities as they come due means it is:
- illiquid.
 - solvent.
 - insolvent.
 - liquid.
19. The marketing mix, or four P's, are promotion, place, product and:
- planning.
 - price.
 - purpose.
 - profit.
20. When the quantity demanded is less than the quantity supplied there is:
- a surplus.
 - a monopoly.
 - an oligopoly.
 - a shortage.
21. The entire process of planning capital investments that generate returns in the future is:
- part of the day-to-day decision making.
 - capital budgeting.
 - partial budgeting.
 - estate planning.
22. Gross profit is defined to be:
- net income plus taxes.
 - the same as earnings before taxes (EBIT).
 - revenue from sales less cost of goods sold.
 - depreciation plus other fixed costs

23. The basic problem faced by any economic system is:
- a. what to produce.
 - b. how to produce.
 - c. for whom to produce.
 - d. all the above are basic problems.
24. The depreciation method with the largest annual depreciation in the last year of useful life is:
- a. accelerated depreciation.
 - b. double-declining balance
 - c. straight line.
 - d. all will result in the same amount of annual depreciation in the last year..
25. The Dow Jones Industrial Average is currently:
- a. above 120,000 – but below 140,000.
 - b. above 12,000 – but below 14,000.
 - c. above 1200 – but below 1400
 - d. above 120 – but below 140.

END OF PART I