FFA Farm Business Management
Career Development Event

State Final

April, 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.

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. Equity is equal to:

   a. total liabilities minus total assets.
   b. total assets plus net farm income.
   c. total liabilities plus total assets.
   d. total assets minus total liabilities.

2. In one year, the future value of $100 received today, assuming an annual interest rate of 10% is:

   a. $110.
   b. $100 x $(1.1)^{12}$.
   c. $100^{12}/(1.1)$.
   d. $90.91.

3. 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.

4. What can be found on a balance sheet?

   a. Assets, revenues and expenses.
   b. Revenues, expenses and net profit (loss).
   c. Revenues, expenses, and owner's equity.
   d. Assets, liabilities and owner's equity.

5. The "law of demand" implies that as:

   a. price falls quantity demanded increases.
   b. price rises quantity demanded increases.
   c. price rises both the quantity supplied and demanded decreases.
   d. price falls supply increases and demand decreases.

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 not change the current ratio:

   a. payment of accrued taxes.
   b. transfer of cash to a savings account.
   c. using cash to purchase equipment.
   d. None of the above.

8. When a firm is able to pay all its current liabilities as they come due means it is:

   a. illiquid.
   b. solvent.
   c. insolvent.
   d. liquid.

9. Which of the following is a government 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. 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.

11. Which one of the following would be expected to lead to the largest decrease in 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 decrease in supply

12. 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.

13. In economics the difference between total revenue (price times quantity) and total economic costs is?

    a. Economic profit.
    b. Paid-in capital
    c. Dividends.
    d. fixed costs.

14. Who stands to lose as a result of continued unanticipated inflation?

    a. People in debt.
    b. People that lend.
    c. The rich.
    d. No one.

15. Which of the following is NOT considered a current liability?

    a. Accounts receivable.
    b. Accrued expenses.
    c. Accounts payable.
    d. Accrued taxes.

16. Marginal cost:

    a. is the increase in total revenue resulting from selling one more unit.
    b. is the increase in total cost resulting from producing one more unit.
    c. is the price of the product for a perfectly competitive firm.
    d. none the above.

17. The branch of economics that deals with the entire economy, such a national income analysis, economic growth, fiscal and monetary policy is:

    a. microeconomics.
    b. macroeconomics.
    c. freakonomics.
    d. major economics.

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18. A lower discount rate implies a:

    a. lower internal rate of return.
    b. higher internal rate of return
    c. negative net present value.
    d. none of the above.

19. The government imposes a minimum price on corn that is BELOW 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.

20. A firm has increased the amount of leverage it uses. This means that the firm:

    a. sold additional common stock.
    b. bought assets.
    c. paid off a loan.
    d. borrowed money.

21. A price or quantity movement that repeats every year is an example of:

    a. a seasonal pattern.
    b. a cyclical movement.
    c. a fundamental movement.
    d. a technical.

22. The cost that is measured by the income a productive factor would receive in its best alternative employment is:

    a. option cost.
    b. margin call.
    c. salvage cost.
    d. opportunity cost.

23. At the present output level, a perfectly competitive firm is in the following position: output is 5,000 units; market price is $1.10 per unit; fixed costs are $2,000; variable costs are $1,000 and marginal cost is $1.20 per unit. The firm should:

    a. expand output.
    b. leave output unchanged.
    c. reduce output.
    d. close down

24. The balance sheet for H. P. Farmer has total assets of $460,000, total liabilities of $490,000; H. P. Farmer is:

    a. insolvent.
    b. profitable.
    c. solvent.
    d. liquid.

25. IFAS is the acronym for

    a. Institute for Florida Agricultural Sciences.
    b. Information For Agricultural Students.
    c. International Foreign Agricultural Services.
    d. Institute of Food and Agricultural Sciences.

END OF PART I