

March 14, 2003

Name: \_\_\_\_\_ Participant # \_\_\_\_\_

**KEY** **2003**  
North Carolina FFA  
Farm Business Management  
Career Development Event  
**Junior Division**

**Multiple Choice and Problem Solving (50 points)**

Please check carefully to see that you have **six** pages including this cover page.

You have **30 minutes** to complete this section of the event.

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**Multiple Choice Section (15 points)**

Read each question carefully. **Circle the letter for the one best answer.**  
Multiple choice questions are worth one (1) point each.

1. What reduces the value of money?
  - A. **inflation**
  - B. deflation
  - C. cutting it in half with scissors.
  - D. hiding it under a mattress
  
2. The two types of accounting systems that farmers can use for income tax purposes are:
  - A. formal and informal
  - B. cash and non-cash
  - C. **cash and accrual**
  - D. on the books and off the books
  
3. The purpose of income tax management is to:
  - A. simplify your farm's revenue and expenses.
  - B. hide as much farm income as possible.
  - C. minimize what you send to the Internal Revenue Service.
  - D. **maximize after tax profits.**
  
4. The most common legal structure of farm businesses in the United States is the:
  - A. **sole proprietorship.**
  - B. partnership.
  - C. regular corporation.
  - D. subchapter S corporation.
  
5. Patrons are:
  - A. the people that buy and sell commodities on the Chicago Board of Trade
  - B. **the owners of a cooperative.**
  - C. the opposite of matrons.
  - D. tax deductions for a cooperative.
  
6. A legal statement of a person's wishes concerning the disposal of property after their death is called a:
  - A. **will.**
  - B. trust.
  - C. power of attorney.
  - D. the law of descendents.

7. Someone who owns land bordering a stream is called:

- A. damn lucky!
- B. riparian.**
- C. joint tenancy.
- D. fee simple.

8. Assets are:

- A. always equal liabilities.
- B. what the farm business owes to creditors.
- C. the same as owner's equity.
- D. items that have value.**

9. The value of a resource in its next best use is called:

- A. variable cost.
- B. marginal cost.
- C. opportunity cost.**
- D. total cost.

10. Debt is:

- A. the obligation to pay.**
- B. items that have no market value.
- C. owners equity
- D. accounts receivable.

11. The difference between the book value or basis of an asset and the sale price of the asset is called

- A. profit or loss.
- B. positive or negative cash flow.
- C. capital gain or loss.**
- D. making money on the sale.

12. At the end of the year, a farmer owes \$550 to the local machinery repair shop. It would be shown on the farm's balance sheet as

- A. an account payable**
- B. an account receivable
- C. a prepaid expense
- D. an asset

13. A term which has the same meaning as owner's equity is:

- A. total asset value.
- B. net farm income.
- C. net worth.**
- D. total liabilities.

14. A demand curve represents a relationship between:

- A. total cost and total revenue.
- B. price and quantity purchased.**
- C. price and quantity produced.
- D. profits and losses.

15. A projection of all income and expenses associated with growing an acre of a particular crop would be called:

- A. a partial budget.
- B. an enterprise budget.**
- C. a whole farm budget.
- D. a balance budget.

KEY

END OF MULTIPLE CHOICE SECTION. PROBLEM SOLVING SECTION BEGIN ON NEXT PAGE.

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**Problem-Solving Section (35 points)**

1. **Record Keeping:** Listed below are the different kinds of records your may want to keep for your farm business. They are marked A through P. At the bottom of this page are four types of financial information a farm business may be required to or want to complete. Beside each type of financial information list the letter of each type of record that you will need to complete that financial information. You may use some letters more than once. (16 points)

A listing of the different kinds of records you may want to keep for your farm business:

Financial Transactions:

- A. farm income and expenses
- B. non-farm tax deductions
- C. non-farm income and expenses
- D. debt payments

Inventory:

- E. depreciation schedule
- F. other farm assets
- G. non-farm assets
- H. record of debts

Production Records:

- I. feed records
- J. livestock production
- K. livestock expenses
- L. crop yields
- M. crop expenses

Labor records:

- N. operator labor
- O. family labor
- P. hired labor

Type of Financial Information	Write in the letter(s) from list above that are needed to complete the corresponding type of financial information (you may use letters more than once)
Income Taxes	<b>A B C D E P</b>
Income Statement	<b>A E F</b>
Net Worth Statement	<b>E F G H</b>
Cash Flow Statement	<b>A C D</b>

2. **Markets, Supply, Demand and Prices:** Mark **+** for TRUE and **O** for FALSE for the following statements. (10 points)

- \_\_\_\_\_ 1. Marketing really involves only the retail selling level.
- \_\_\_\_\_ 2. Utility refers to or means the consumer is not satisfied.
- \_\_\_\_\_ 3. In a market-oriented system the government is the cause of change.
- \_\_\_\_\_ 4. The process of change in a market system starts at the retail level.
- \_\_\_\_\_ 5. The law of demand states that quantity demanded will only increase if prices go up.
- \_\_\_\_\_ 6. The demand curve down and to the right meaning that quantity purchased goes up when the price drops.
- \_\_\_\_\_ 7. The supply curve slopes up and to the right representing the fact that producers will only produce more at higher prices.
- \_\_\_\_\_ 8. Price is determined where supply and demand intersects.
- \_\_\_\_\_ 9. The tendency for producers to get larger to reduce costs is known as economies of scale.
- \_\_\_\_\_ 10. Parity is a concept that is widely used today on our agricultural markets.

3. **Markets, Supply, Demand and Prices:** (9 points) Circle the correct response. Whether market equilibrium price and quantity would increase or decrease or stay the same if the following actions a, b, c, d, e, and f occur. Consider each action separately. (1.5 points each)

a. If the demand for poultry increases and the supply remains constant, then

<b>Price</b>	<input checked="" type="checkbox"/> increases	<input type="checkbox"/> decreases	<input type="checkbox"/> stays the same
<b>Quantity</b>	<input checked="" type="checkbox"/> increases	<input type="checkbox"/> decreases	<input type="checkbox"/> stays the same

b. If the supply of pork increases and the demand increases the same percentage, then

<b>Price</b>	<input type="checkbox"/> increases	<input type="checkbox"/> decreases	<input checked="" type="checkbox"/> stays the same
<b>Quantity</b>	<input checked="" type="checkbox"/> increases	<input type="checkbox"/> decreases	<input type="checkbox"/> stays the same

c. If the demand for beef decreases and everything remains constant, then

<b>Price</b>	increases	<input checked="" type="checkbox"/> decreases	stays the same
<b>Quantity</b>	increases	<input checked="" type="checkbox"/> decreases	stays the same

d. If the supply of soybeans decreases and the demand for soybeans remains constant, then

<b>Price</b>	<input checked="" type="checkbox"/> increases	decreases	stays the same
<b>Quantity</b>	increases	<input checked="" type="checkbox"/> decreases	stays the same

e. If the supply of corn decreases and the demand for corn decreases the same percentage, then

<b>Price</b>	increases	decreases	<input checked="" type="checkbox"/> stays the same
<b>Quantity</b>	increases	<input checked="" type="checkbox"/> decreases	stays the same

f. If the supply of milk increases and the demand decreases the same percentage, then

<b>Price</b>	increases	<input checked="" type="checkbox"/> decreases	stays the same
<b>Quantity</b>	increases	decreases	<input checked="" type="checkbox"/> stays the same