

March 14, 2003

Name: _____ Participant #: _____

2003
North Carolina FFA
Farm Business Management
Career Development Event

Section I: Multiple Choice (100 points)

There are 25 questions on this section of the event. Please check carefully to see that you have **five** pages including this cover page.

Read each question carefully. **Circle the letter for the one best answer.** Each question is worth four (4) points. You have **25 minutes** to complete this section of the event.

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1. Which of the following statements is true about diminishing returns?
 - A) Diminishing returns are only found in the short run
 - B) Diminishing returns are only found in the long run
 - C) Diminishing returns set in after the point at which marginal product is greatest
 - D) All of the above are true
 - E) A and C are both true

2. If a farm has a working capital greater than \$0, its current ratio will be:
 - A) Greater than one
 - B) Equal to one
 - C) Less than one
 - D) There is no relationship between working capital and the current ratio

3. Another name for the discounting method for pricing is:
 - A) Future value
 - B) Present value
 - C) Income value
 - D) Purchase value

4. For IRS purposes, a farmer is one who has what percentage of income coming from agricultural or horticultural activities?
 - A) 33.333%
 - B) 50.00%
 - C) 66.67%
 - D) 75.00%

5. In marginal analysis, the point of diminishing returns occurs
 - A) Where marginal revenue is less than marginal cost
 - B) Where marginal revenue is more than marginal cost
 - C) Where marginal revenue equals marginal cost
 - D) There is no relationship between diminishing returns and marginal analysis

6. By adding a feed mill to a dairy cattle operation, a producer becomes more
 - A) Specialized
 - B) Diversified
 - C) Integrated
 - D) Motivated

7. Cooperatives differ from other corporations in which area?
 - A) No board of directors in a coop
 - B) How voting is done
 - C) No manager in a cooperative
 - D) Cooperatives are not incorporated

8. When a farmer increases his investment in land, buildings, and equipment without increasing the total units of production, cost per unit:
- A) Increases
 - B) Remains the same
 - C) Decreases
 - D) Varies with the operator
- 9) Farmer Joe earned \$30,000 from farming last year. His total assets are valued at \$420,000. He has outstanding mortgages and loans of \$175,000. What rate of return did he earn on his equity?
- A) 7.14%
 - B) 8.51%
 - C) 12.24%
 - D) 17.14%
10. For maximum net returns, a farmer should substitute machinery for labor when:
- A) There is a limited supply of labor
 - B) Value of labor saved is more than annual machine cost
 - C) The annual cost of machine use is equal to the cost of labor
 - D) The additional machine will increase labor efficiency
11. On May 1, after surveying his corn records, a farmer has determined that his total variable cost per acre will be approximately \$258. His fixed cost per acre is estimated at \$70. Given a yield of 150 bushels per acre, what is his breakeven price per bushel?
- A) \$0.47
 - B) \$1.25
 - C) \$1.72
 - D) \$2.19
12. What is the annual opportunity interest cost for a new feed grinder-mixer that costs \$15,000 and has an expected salvage value of \$3,000 after 8 years? The interest rate is 10%.
- A) \$150
 - B) \$600
 - C) \$900
 - D) \$1,500
13. In the short run,
- A) Total fixed costs are zero when there is no production
 - B) Total variable costs are zero when there is no production
 - C) Total cost will remain constant as output increased
 - D) Total cost will decrease as output is increased

14. On March 1, Jennifer borrowed \$10,000 to plant soybeans. On November 1, she repaid the \$10,000 along with \$505 interest. What annual interest rate did she pay?
- A) 5.050%
 - B) 7.575%
 - C) 8.657%
 - D) 10.607%
15. The price at which consumers are willing to buy all that the producers are willing to supply to the market is called the:
- A) Production Methods
 - B) Equilibrium Price
 - C) Support Price
 - D) Risk-Free Market Price
16. A farmer and spouse file a joint tax return. The farmer does not make estimated tax payments and off-farm income is less than 1/3 of total gross income. When must the 2002 tax returns be filed with full payment of taxes due?
- A) January 31, 2003
 - B) March 1, 2003
 - C) April 15, 2003
 - D) June 15, 2003
17. The present value of \$150 that will be received at the end of 1 year, given a 5% interest (discount) rate is:
- A) \$95.24
 - B) \$142.86
 - C) \$155.00
 - D) \$157.50
18. A grain combine can be purchased for \$120,000. Total annual fixed costs will be \$15,000 and variable costs per acre will be \$15. If a custom operator can be hired to combine grain for \$35 per acre, what is the minimum number of acres one should plan to harvest to justify buying the combine?
- A) 750
 - B) 800
 - C) 1000
 - D) 1500
19. The book value of a piece of farm equipment would be the
- A) Value that the item currently has on the open market
 - B) Cost of an item plus the total depreciation to date
 - C) Cost of the item minus depreciation
 - D) Sentimental value of the item to the producer

20. If the U.S. wheat industry has an inelastic demand curve, a reduction in the amount of wheat supplied to the market would:
- A) Have no effect on total revenues in the wheat industry
 - B) Increase the total revenues in the wheat industry
 - C) Decrease the total revenues in the wheat industry
 - D) Cause a sharp increase in the demand for wheat
21. A contract which gives the buyer the right, but not the obligation to assume a long (futures) position a specific price within a specified period of time is a:
- A) Strike price
 - B) Call option
 - C) Put option
 - D) Option price
22. The price at which the futures market contract underlying a call or put option can be purchased (if a call) or sold (if a put) is a:
- A) Strike price
 - B) Call option
 - C) Put option
 - D) Option price
23. In the bear market we would expect:
- A) Prices to fall
 - B) Prices to rise
 - C) Corporate mergers
 - D) Large price fluctuation
24. A "limited" partnership is one in which:
- A) Some partners do not participate in management, and have limited liability
 - B) The maximum number of acres is fixed by state law
 - C) The number of partners may not exceed 75
 - D) Only one type of enterprise is carried out
25. If the demand curve for a firm's product is relatively inelastic, its total revenue can be increased by:
- A) Increasing price
 - B) Decreasing price
 - C) Increasing quantity supplied
 - D) All of the above

End of the multiple choice section of the 2003 NC FBM event