

2019 FFA State Farm Business Management Exam

1. Which financial statement summarizes financial data for a specific date in time?
 - a. Income Statement
 - b. Balance Sheet
 - c. Statement of cash flows
 - d. Statement of Owners Equity

2. The financial statement that shows the relationship between income and expenses is:
 - a. Income Statement
 - b. Balance Sheet
 - c. Statement of cash flows
 - d. Statement of Owners Equity

3. The net worth on a balance sheet reveals:
 - a. Owner equity by subtracting total liabilities from total assets
 - b. Net farm income by subtracting total expense from total revenue
 - c. Cash income by subtracting total cash expenses from total cash receipts
 - d. The increase in retained earnings by subtracting total liabilities from total assets

4. Which of the following is not one of the basic financial statements?
 - a. Monthly bank statement
 - b. Income statement
 - c. Statement of Cash Flow
 - d. State of Owner Equity

5. Rate of return on assets is:
 - a. What you get from letting the farm use all your capital assets including equity.
 - b. What you have left over once you have paid all debt.
 - c. The total of all assets divided by total liabilities.
 - d. The percent return on the total amount of money invested in total assets.

6. Which of the following is not included as gross income under the accrual system?
 - a. value of crops produced
 - b. increase in value of livestock purchased
 - c. value of feed fed to livestock
 - d. government payments and dividends

7. In preparing an accrual income statement, which of the following formulas should be used:
- Beginning inventory minus ending inventory
 - Ending inventory minus beginning inventory minus sales
 - Beginning inventory plus purchases minus ending inventory minus sales
 - Ending inventory plus sales minus beginning inventory minus purchases
8. Return on investment is:
- The net profit or net loss realized from an investment or assets.
 - Always going to be a positive number
 - A number that represents your ability to meet all debt.
 - Something that agriculture never figures because its always too low.
9. Cash on hand on a balance sheet would most closely correspond to which of the following?
- The balance in the farm checking and savings account
 - The balance in the farm checking and savings account plus other current assets
 - The cash balance in the farm hedging account
 - The value of grain inventory stored plus the value of market livestock
10. Which of the following statements is a true statement about the cash method of accounting?
- Inventories are included as cash
 - It is more complicated than the accrual system
 - It more accurately reports true net income from the farm
 - It reports income and expenses in the period in which they are received or paid
11. The price difference between the local price and the futures price is called
- Basis
 - Cost
 - Floor
 - Ceiling
12. When local basis decreases, it is an indication that
- Futures prices are decreasing
 - Local demand is decreasing
 - Local supply is short
 - Local price is higher than the futures price

13. Someone who is bullish on market prices thinks that prices will
- Stay steady
 - Go higher
 - Go lower
 - None of the above
14. The price at which a producer buys or sells an option is the
- Local price
 - Futures price
 - Average price
 - Strike price
15. Which type of contract offered by many grain buyers allows the seller to lock in the futures price and leave the basis open?
- Put option
 - Hedge to Arrive
 - Cash Sale
 - Price Later
16. A farmer who wants the right but not the obligation to buy a specific commodity at a specific price level would use a:
- Call Option Contract
 - Hedge to Arrive Contract
 - Cash Forward Contract
 - Price Later Contract
17. A farmer who sells futures contracts to protect production from price fluctuations is called a:
- Bear
 - Bull
 - Speculator
 - Hedger
18. What type of account is used to deposit funds with a broker when trading futures contracts?
- Deposit
 - Escrow
 - Margin
 - Loan

19. The new crop futures month for corn is considered to be
- July
 - October
 - November
 - December
20. How many futures contracts would be needed to sell 50,000 bushels of corn?
- 5
 - 10
 - 25
 - 50
21. A Cash contract fixes
- The price but not the basis
 - The basis but not the price
 - The price and the basis
 - None of the above
22. The income tax schedule (IRS Form) used to report farm income and expenses is
- Schedule B
 - Schedule C
 - Schedule F
 - Schedule D
23. The cost of machinery, equipment, and farm buildings can be deducted each year over their expected life. This is called:
- Appreciation
 - Operating cost
 - Depreciation
 - Expensing
24. Any unused prepaid expenses that were deducted from the previous years taxes, and were not used in the current production year, should be accounted for tax purposes as:
- Negative expense
 - Income
 - Either A or B
 - Has no bearing on the current year's tax liability

25. Under the cash method of accounting, an expense becomes a deductible expense if the bill is owed but has not yet been paid.
- True
 - False
26. According to the 2017 Tax Cuts and Jobs Act, how many years is a new tractor depreciated when using the MACRS recovery method?
- 5
 - 7
 - 10
 - 15
27. If a farmer pays a neighbor \$625 for custom combining, they must give them what IRS form?
- 1040 EZ
 - 1090
 - 1099
 - 990
28. Which is the first level of government that could govern how your land is used?
- County
 - Township
 - Federal
 - State
29. You have secured a loan and now have the money to buy one-quarter section of Minnesota farmland. How many acres will you be purchasing?
- 160
 - 320
 - 640
 - 960
30. When considering entering into a farm lease or rental agreement, what is the most important thing to consider?
- It should be specific to the description of what you leasing
 - It should be in writing
 - Is should state the type of crops to produce
 - It should be an oral agreement

31. The law of demand states that a consumer will buy more at
- Lower prices
 - Higher prices
 - Same prices
 - Any prices
32. When a farm has employees hired to work on their farm, the farm must deduct out of the employees paycheck the following:
- Medicare
 - Social Security
 - Health Insurance
 - A & B
 - All of the above
33. When someone is considering starting to farm, one of the most important things for them to do is:
- Purchase a farm
 - Purchase equipment
 - Secure financing
 - Set goals to help define the direction of the farm
34. The people that own a farm corporation are called:
- Board of directors
 - Managers
 - Shareholders
 - Partners
35. Eastland Pork Farm owns 30,000 sows, and raises the 760,000 finish hogs annually. Eastland Pork Farm also owns the mill, which provides feed for all the pigs, and also owns the processing facility and markets all the pork direct to local grocery stores. This type of business structure is known as:
- Vertical integration
 - A marketing cooperative
 - A supply cooperative
 - A mega farm

36. Many corn farmers purchase crop revenue insurance to protect against adverse outcomes. This type of crop insurance helps to protect against which of the following?
- Low crop prices and yields
 - High crop prices and yields
 - Increase in production costs
 - Failure of grain buyer to make a prompt payment upon delivery
37. Which type of business would distribute patronage dividends?
- Individual proprietorship
 - Cooperative
 - Limited partnership
 - Corporation
38. Selling through a farmers market or roadside market is called what type of marketing?
- Wholesale
 - Contract
 - Direct
 - Drive-through
39. A cash flow budget projected for the next year can provide information on
- Return to the farm operator's labor and management
 - Net worth of the farm business
 - Rate of return on the farm investments
 - Projected borrowing needs and repayment capacity
40. An enterprise budget is:
- A physical and financial plan for the entire farm business for a specific period of time.
 - The tools used in analyzing only changes in the farm operations and the potential change in net income.
 - Record of past production performance.
 - Statement of projected costs and returns associated with one production process, usually for one production period.

41. Which of the following does not represent a variable cost in grain production?
- Land taxes
 - Crop Insurance
 - Seed
 - Fertilizer
42. A cost of production which does not vary with the level of total production and also includes items such as depreciation, taxes, farm insurance, and intermediate and long term interest is called:
- A liability
 - A fixed cost
 - A variable cost
 - Total cost
43. Enterprise (crop / livestock) budgeting is used to:
- Allow for evaluation with possible outcomes before resources are committed
 - Estimate the amount of credit needed
 - Estimate the production necessary to be profitable
 - All of the above
44. For a hog production operation, the cost of feed can best be described as:
- Fixed cost
 - Marginal cost
 - Variable cost
 - Total cost
45. A farm has decided to rent land for cash rather than as shares of production. This results in
- More risk for both the landlord and the tenant
 - Less risk for both the landlord and the tenant
 - More risk for the landlord and less risk for the tenant
 - Less risk for the landlord and more risk for the tenant
46. The ability of the farm's current assets to repay the farm's current liabilities is a measure of:
- Liquidity
 - Solvency
 - Profitability
 - Repayment capacity

47. Net farm income is a measure of:

- a. Liquidity
- b. Solvency
- c. Profitability
- d. Repayment capacity

48. Working Capital is a measure of

- a. Liquidity
- b. Solvency
- c. Profitability
- d. Repayment Capacity

49. Term Debt Coverage Ratio is a measure of:

- a. Liquidity
- b. Solvency
- c. Profitability
- d. Repayment Capacity

50. Planting a combination of corn, soybeans and raising beef cattle is an example of which risk management strategy?

- a. Specialization
- b. Diversification
- c. Loss minimization
- d. Risk Transfer

2019 State FFA Farm Management CDE Exam ANSWERS

| | |
|----|---|
| 1 | B |
| 2 | A |
| 3 | A |
| 4 | A |
| 5 | D |
| 6 | C |
| 7 | D |
| 8 | A |
| 9 | A |
| 10 | D |
| 11 | A |
| 12 | C |
| 13 | B |
| 14 | D |
| 15 | B |
| 16 | A |
| 17 | D |
| 18 | C |
| 19 | D |
| 20 | B |
| 21 | C |
| 22 | C |
| 23 | C |
| 24 | C |
| 25 | B |

| | |
|----|---|
| 26 | A |
| 27 | C |
| 28 | B |
| 29 | A |
| 30 | B |
| 31 | A |
| 32 | D |
| 33 | D |
| 34 | C |
| 35 | A |
| 36 | A |
| 37 | B |
| 38 | C |
| 39 | D |
| 40 | D |
| 41 | A |
| 42 | B |
| 43 | D |
| 44 | C |
| 45 | D |
| 46 | A |
| 47 | C |
| 48 | A |
| 49 | D |
| 50 | B |