

2009 Ohio Farm Business Management CDE Exam
50 multiple choice questions- worth 2 points each

1. An increase in net worth can result from:
 - a. increasing debt
 - b. increasing farm inventory values
 - c. decreasing farm inventory values
 - d. decreasing farm profits
2. The difference between total assets and total liabilities is:
 - a. net worth
 - b. net profit
 - c. gross sales
 - d. capital gain
3. A feed dealer makes a credit charge of 1 1/2% monthly on all bills not paid by the 10th of the month following the monthly billing on the first. The annual percentage interest rate would be?
 - a. 6%
 - b. 8%
 - c. 12%
 - d. 18%
4. Purchasing a larger piece of machinery in order to reduce the cost required to complete a particular operation is profitable if:
 - a. the savings in labor is less than the cost of owning the larger machine
 - b. there is sufficient capital available
 - c. the savings in labor is equal to or greater than the cost of owning the larger machine
 - d. there is sufficient work to justify a major capital investment
5. Which of the following items will not appear in a beginning or ending inventory?
 - a. a mortgage owed
 - b. money borrowed during the year
 - c. feeder pigs bought and sold during the year
 - d. tractor sold during the year
6. Crop insurance provides a means of:
 - a. lowering costs
 - b. reducing risks
 - c. increasing profits
 - d. increasing working capital
7. The cost incurred by a farmer for pumping irrigation water is a:
 - a. fixed cost
 - b. variable cost
 - c. marginal cost
 - d. average cost
8. When a farmer or rancher decides that a parcel of land "isn't worth the price", what does he mean?
 - a. the price is high
 - b. the farmer doesn't have a down payment
 - c. the value of expected income he could produce on the land is less than the price
 - d. the farmer doesn't have sufficient credit to buy
9. A farmer's financial statement for a beef feeding enterprise indicates an opening inventory of \$46,000, a closing inventory of \$40,000, sales of \$15,000, and purchases of \$4,000. Which of the following is the correct figure for gross gain from the beef feeding enterprise?
 - a. \$4,000
 - b. \$5,000
 - c. \$6,000
 - d. \$10,000
10. A type of life insurance that gives you protection and a cash value at a specified age:
 - a. term
 - b. reducing term
 - c. whole reducing
 - d. whole life
11. In a cash flow projection analysis of a farm, what would you do if a certain month indicated that there would be more expense than income?
 - a. terminate the enterprise causing the cash flow problem that month
 - b. change from cash to accrual accounting method
 - c. use savings, delay expenses, move up sales or borrow money
 - d. change depreciation methods
12. Which of these is a true hedge if you have 10,000 bushels of corn in storage:
 - a. you buy 10,000 bushels on the futures
 - b. you sell your corn and then buy an equivalent amount on the futures
 - c. you have 10,000 bushels sold on futures contracts
 - d. you have nothing bought or sold on the futures
13. In preparing a cash flow plan, one should not include which of the following expense items:
 - a. principal payments on long term debt
 - b. cash paid for machinery purchases
 - c. machinery depreciation
 - d. family living and other non-farm expense

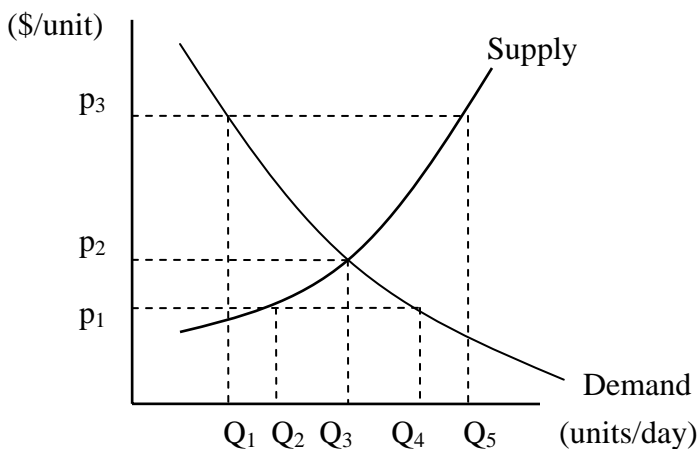
14. A future trader who has bought futures and thus is under contract to take delivery is said to be:
- short
 - long
 - bullish
 - bearish
15. Which of the following income does not have to be reported on your Federal Income Tax return?
- interest on a personal savings account
 - rent for a farm building
 - dividends from a Cooperative
 - a loan from a bank
16. The July futures price on soybeans is \$6.50/bu. The normal basis is .20/bu. transportation costs to St. Clairsville is .08/bu. to convert the futures price into a local cash equivalent price.
- add .20¢ to the \$6.50 futures price
 - subtract .20 from the \$6.50 futures price
 - add .28 to the \$6.50 futures price
 - subtract .28 from the \$6.50 futures price
17. One of the best measures of financial progress over a period of years would be:
- income tax paid statement
 - capital investment
 - net cost income
 - net worth statement
18. In the futures market, a certain item of news is considered "bearish" if it is expected to:
- have a strengthening influence on prices
 - have a depressing influence on prices
 - stabilize prices
 - have an upward tendency in prices following a decline
19. One who trades in the futures market and attempts to anticipate price changes and market activities to make a profit but does not hold the physical commodity is a:
- broker
 - hedger
 - buyer
 - speculator
20. The farm corporation may have the following advantages relative to the sole proprietorship.
- simpler to organize
 - tax savings for the one-owner business with less than \$15,000 net farm income
 - lower social security taxes for the owner-operator to pay on his salary
 - easier to transfer assets from one generation to the next
 - all the above
21. The harvest time price of soybeans is \$6.00 per bushel. If the opportunity interest rate is 12% and storage cost is 2 cents per bushel per month, what price would you have to receive to cover the costs of storing soybeans for four months?
- \$6.00 per bushel
 - \$6.08 per bushel
 - \$6.24 per bushel
 - \$6.32 per bushel
22. The purpose of tax planning and management is:
- to minimize the tax bill
 - improve record keeping
 - reduce the chance of audit
 - maximize profits after taxes
23. Livestock, land, and other personal property used to secure the loan are known as:
- collateral
 - amortization
 - mortgages
 - principle
24. A difference between buying or selling a futures contract and buying a put or a call Option is"
- the cost of the futures contract is fixed, but the option is subject to margin calls.
 - the cost of the option is fixed, but the futures contract is subject to margin calls.
 - no difference – both are subject to margin calls.
 - no difference – neither is subject to margin calls.
25. A farmer has retired and is planning to rent 160 acres to the neighbor for cash rent.
- Which factor should he consider when arriving at a fair cash rent figure per acre.
- interest on investment taxes and profit
 - neighbors cost of production per acre
 - price of crops raised
 - interest on investment and taxes per acre
26. What reduces the value of money?
- inflation
 - deflation
 - cutting it in half with scissors.
 - hiding it under a mattress
27. The two types of accounting systems that farmers can use for income tax purposes are:
- formal and informal
 - cash and non-cash
 - cash and accrual
 - on the books and off the books

28. The purpose of income tax management is to:
- simplify your farm's revenue and expenses.
 - hide as much farm income as possible.
 - minimize what you send to the Internal Revenue Service.
 - maximize after tax profits.
29. The most common legal structure of farm businesses in the United States is the:
- sole proprietorship.
 - partnership.
 - regular corporation.
 - subchapter S corporation.
30. Patrons members are:
- the people that buy and sell commodities on the Chicago Board of Trade
 - the owners of a cooperative.
 - the opposite of patrons.
 - tax deductions for a cooperative.
31. A legal statement of a person's wishes concerning the disposal of property after their death is called a:
- will.
 - trust.
 - power of attorney.
 - the law of descendents.
32. Someone who owns land bordering a stream is called:
- lake farmer
 - riparian.
 - joint tenancy.
 - fee simple.
33. Assets are:
- always equal liabilities.
 - what the farm business owes to creditors.
 - the same as owner's equity.
 - items that have value.
34. The value of a resource in its next best use is called:
- variable cost.
 - marginal cost.
 - opportunity cost.
 - total cost.
35. Debt is:
- the obligation to pay.
 - items that have no market value.
 - owner's equity
 - accounts receivable.
36. The difference between the book value or basis of an asset and the sale price of the asset is called__.
- profit or loss.
 - positive or negative cash flow.
 - capital gain or loss.
 - making money on the sale.
37. 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
- an account payable
 - an account receivable
 - a prepaid expense
 - an asset
38. A term which has the same meaning as owner's equity is:
- total asset value.
 - net farm income.
 - net worth.
 - total liabilities.
39. A demand curve represents a relationship between:
- total cost and total revenue.
 - price and quantity purchased.
 - price and quantity produced.
 - profits and losses.
40. A projection of all income and expenses associated with growing an acre of a particular crop would be called:
- a partial budget.
 - an enterprise budget.
 - a whole farm budget.
 - balance budget.
41. Which of the following would most likely warrant an increase in production by a firm?
- the firm is making money
 - the firm's cash flow is positive
 - the firm has low fixed costs
 - the firm's marginal revenue exceeds the firm's marginal cost
42. If a sweet corn farmer is marketing his/her product 'direct', which of the following is most likely to be the farmer's customer(s)?
- produce wholesaler(s)
 - local farmers markets, restaurants, and grocery stores
 - sweet corn processor(s)
 - local cooperative
43. Which of the following refers to a farm firm's ability to pay its bills in the short run?
- solvency
 - liquidity
 - net worth
 - debt
44. What is the economic term used to describe product sales to a foreign country?
- imports
 - currency
 - export
 - tariffs

45. If you want the right to sell a futures contract, you should:
- buy a put option
 - buy a call option
 - sell a call option
 - sell a put option
46. The law of diminishing returns in wheat production occurs when:
- total yield starts to decline
 - total input usage starts to increase
 - marginal yield starts to decrease
 - average yield starts to decrease
47. Crop share and cash are alternative:
- rental agreements
 - depreciation calculation methods
 - inventory valuation methods
 - loan repayment methods
48. A cooperative business usually returns most of its earnings to its members in the form of:
- stock dividends
 - patronage refunds
 - retained earnings
 - shares of stock
49. Financial, opportunity, cash, and economic are terms used to describe different types of the following for a farm firm:
- revenues
 - assets
 - liabilities
 - costs
50. If a farm firm leases machinery, it:
- buys machinery on contract
 - borrow money to repair machinery
 - loans machinery to another producer
 - rents machinery

**# 51- #90 Problem Solving-
40 multiple choice questions worth 5 points each**

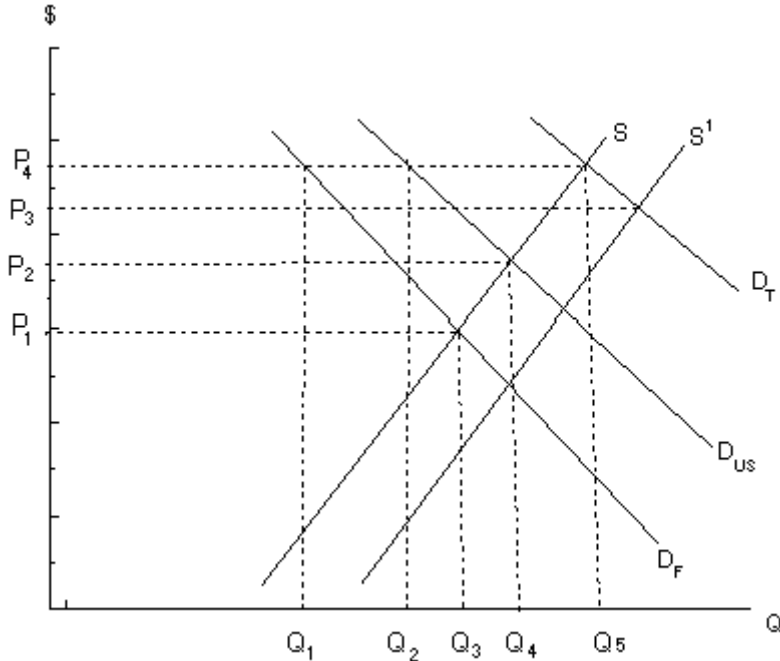
For questions #51 to # 53 refer to the following graph of supply and demand curves in a hypothetical market. P= Price Q= Quantity



51. Equilibrium in this market is:
- price = P₃, quantity = Q₃
 - price = P₂, quantity = Q₂
 - price = P₂, quantity = Q₃
 - price = P₁, quantity = Q₂

52. If the price in this market were temporarily at a level of p_3 , there would be:
- excess demand in the amount $Q_5 - Q_1$
 - excess supply in the amount Q_5
 - excess supply in the amount $Q_5 - Q_3$
 - excess supply in the amount of $Q_5 - Q_1$
53. A change in the equilibrium point to price p_2 and quantity Q_4 would require:
- an increase in demand and an increase in supply
 - an increase in demand and a decrease in supply
 - a decrease in demand and an increase in supply
 - a decrease in demand and a decrease in supply

Information for questions # 54 - #57- Supply and Demand (P= Price Q= Quantity)



The above graph represents the supply of wheat (S), the demand for wheat in the U.S. (D_{US}), the demand for wheat for export (D_F), and the total demand of for wheat (D_T).

54. What is the market equilibrium price of wheat in the U.S.?
- P_1
 - P_2
 - P_3
 - P_4
 - None of the above
55. At the market equilibrium price, how much wheat will be used in the U.S.?
- Q_1
 - Q_2
 - Q_3
 - Q_4
 - Q_5
56. At the market equilibrium price, how much wheat will be exported?
- Q_1
 - Q_2
 - Q_3
 - Q_4
 - Q_5

57. Without foreign demand, the equilibrium price of wheat would be

- a. P_1
- b. P_2
- c. P_3
- d. P_4
- e. P

Answer questions # 58 to #63 with below data

In January 2009 Reiter Dairy of Akron, Ohio sold 65,000# of 3.6% fat milk that had 3.5% protein from the 40 cow Holstein herd. *Class I* milk was utilized at 50% and sold for \$12.50/100#(cwt), *Class II* milk sold for \$10.50/100#(cwt) and was used in 20% of the blend with the balance of the load utilized in *Class III* and sold for \$10.00/100# (cwt). Butterfat differential for milk over 3.5% bf was 10 cents bonus/1/10% while the protein bonus for differential was 10 cents/10th % over 3.2% protein..

58. Compute the uniform blend price/100# milk shipped before any differential bonus amounts are applied?

- a) \$11.00
- b) \$11.35
- c) \$11.50
- d) \$11.85

59. Calculate the load value of the 65,000# milk using the correct answer for question # 58 (before any bonus amounts are applied)?

- a) \$7,150.00
- b) \$7,377.50
- c) \$7442.50
- d) \$7,475.00

60. What is the bonus paid/100# for butterfat?

- a) 10 cents
- b) 20 cents
- c) 30 cents
- d) 40 cents

61. What is the bonus paid/100# for protein?

- a) 10 cents
- b) 20 cents
- c) 30 cents
- d) 40 cents

62. Using the correct blend price from question #58, what is the adjusted new blend price with both the butterfat and protein differentials added to the value/100#?

- a) \$11.55
- b) \$11.65
- c) \$11.75
- d) \$11.85

63. With the correct answer in question #62, what is the load value of the 65,000# milk with both differentials added?

- a) \$7,507.50
- b) \$7,572.50
- c) \$7,637.50
- d) \$7,702.50

Questions # 64 to #69 data- BALANCE SHEET PROBLEM

Using the information below, complete the net worth statement for January 1, 2008

Land	\$400,000
Accounts receivable	2,000
Accounts payable.....	5,500
Machinery and equipment.....	55,000
Cows	15,000
Calves	4,000
Sows and boars	10,000
Market hogs	40,000
Checking and savings	12,000
Wheat	5,000
Hog buildings	60,000
Feed and hay	7,500
Accrued interest owed	16,000
Accrued taxes owed	15,000
House	65,000

30-year land loan balance is\$195,000. (\$10,000 plus interest is due February 1 of each year)
10-year hog building loan balance is..... \$45,000. (\$12,000 plus interest is due August 31 of each year.)
5-year tractor loan balance is\$35,000 (\$8,000 plus interest is due each February 1.)

64. The total value of current assets on January 1, 2008, was:
 a. \$605,000
 b. \$95,500
 c. \$70,500
 d. \$26,500
 e. none of these
65. The total value of non-current assets was:
 a. \$649,000
 b. \$605,000
 c. \$580,000
 d. \$504,800
 e. none of the above
66. The total value of current liabilities was:
 a. \$5,500
 b. \$36,500
 c. \$66,500
 d. \$311,500
 e. none of the above
67. The total value of non-current liabilities was:
 a. \$311,500
 b. \$275,000
 c. \$262,216
 d. \$245,000
 e. none of the above
68. The net worth was:
 a. \$500,000
 b. \$364,000
 c. \$60,000
 d. \$35,000
 e. none of the above
69. The debt to asset ratio was:
 a. 2.16
 b. 0.85
 c. 0.54
 d. 0.46
 e. none of the above

Questions # 70 to #75 data- ENTERPRISE BUDGET

Use the following soybean budget to answer Questions 70 through 75.

OHIO SOYBEANS, per acre, bottomland (loam soil), owned equipment

<i>Operating Inputs</i>	<i>Units</i>	<i>Price</i>	<i>Quantity</i>	<i>Value</i>
Soybean seed	Lbs.	0.250	45.00	\$11.25
Nitrogen (N)	Lbs.	0.250	15.00	3.75
Phosphate (P2O5)	Lbs.	0.110	40.00	4.40
Potash (K2O)	Lbs.	0.080	40.00	3.20
Pre-emergence Herbicide	Acre	14.020	1.00	14.02
Post-emergence Herbicide	Acre	4.690	1.00	4.69
Rent fertilizer Spreader	Acre	2.350	1.00	2.35
Annual operating capital	Dollar	0.107	23.34	2.49
Machinery labor	Hour	6.000	2.03	12.16
Mach. fuel, lube, repair	Dollar			18.50
Total operating costs				\$76.81

Fixed costs

<i>Machinery:</i>	<i>Amount</i>	<i>Value</i>
Interest at 10.675%	\$184.00	\$19.64
Depreciation, taxes, insurance		24.21
Total fixed costs		\$ 43.85

<i>Production</i>	<i>Units</i>	<i>Price</i>	<i>Quantity</i>	<i>Value</i>
Soybeans	Bushel	\$ 5.90	34.00	\$200.60
Total receipts				\$200.60
Returns above total operating costs				
Returns above all specified costs				\$79.94

70. Total operating cost per acre is:
 a. \$2.46
 b. \$76.81
 c. \$79.94
 d. \$120.66
 e. none of the above
71. The return above total operating cost per acre is:
 a. \$79.94
 b. \$120.66
 c. \$123.79
 d. \$200.60
 e. none of the above

72. How many pounds of fertilizer are budgeted per acre?
 a. 11.35
 b. 15.00
 c. 44.00
 d. 95.00

74. What price per bushel is paid for seed beans? (Soybeans weigh 60 pounds per bushel)
 a. \$5.90
 b. \$11.25
 c. \$15.00
 d. \$45.00

73. What is the total budgeted interest cost per acre?
 a. \$2.49
 b. \$19.64
 c. \$22.13
 d. \$43.85

75. What is the total specified fertilization cost per acre including spreader rental? (ignore cost of labor and capital)
 a. \$3.75
 b. \$7.60
 c. \$11.35
 d. \$13.70
 e. one of the above

Data for questions # 76 to #78 INPUT SUBSTITUTIONS

Ohio Agricultural Statistics Service in their April 2008 Ag Update reported that the March price of corn in Ohio was \$2.20/bushel and that alfalfa hay was selling for \$102/ton. Farm Management (4th edition) report the following combinations of grain and hay will add the same amount of weight to feeder steers with a given beginning weight.

Answer the following questions assuming(1 bushel corn = 56 pounds; 1 ton hay = 2000 pounds).

Ration	corn(lbs)	hay(lbs)
#R1.....	850	1300
#R2.....	900	1130
#R3.....	975	935
#R4.....	1050.....	770
#R5.....	1125.....	630
#R6.....	1200.....	520
#R7.....	1275.....	460

76. Compute the cost of ration 1 (#R1) is:
 a. \$59.83
 b. \$67.23
 c. \$78.89
 d. \$99.69

78. Now assume that in July 2008 the price of corn increases 10% and the price of hay does not change, which ration is the cheapest out of the following 3 rations: #R5, #R6, #R7?
 a. #R5
 b. #R6
 c. #R7
 d. none of the above

77. Which is the cheapest ration?
 a. #R3
 b. #R4
 c. #R5
 d. #R6
 e. #R7

79. On March 1, 2008, Jim Ogden borrowed \$5,000 to buy CDE scan sheets from Carol Ogden. On December 1, 2008 Jim paid the \$5,000 borrowed along with \$300.00 interest. What annual interest rate did Jim pay?
 a. 6.0%
 b. 8.0%
 c. 9.0%
 d. 12.0%
 e. none of the above

Data for questions #80 to #84

Kent Feeds is running a special on blended feed products for farmers to make private rations. Joe Farmer wants to make two tons of 18% mixed feed ration to feed his feedlot market hogs. He will be using 44% protein soybean oil meal (SBOM) and 8% protein new crop shelled corn. One ton = 2,000#

80. Figure how much 44% SBOM is needed to blend the ration for Joe Farmer
 a. 555#
 b. 1111#
 c. 1538#
 d. 2889#

81. Compute how many pounds of 8% corn are needed to fill the order.
 a. 153#
 b. 1538#
 c. 2889#
 d. 3600#

82. How many total pounds of 18% protein feed will be in the ration?

- a. 2,000#
- b. 4,000#
- c. 6,000#
- d. 8,000#

83. Since the feed will be packaged in 50# bags, figure how many 50# bags will be in the total order of 18% feed?

- a. 40 bags
- b. 80 bags
- c. 160 bags
- d. 320 bags

84. When loading the feed bags onto the truck with a skid loader, each wooden skid will hold ten (10) 50# bags. How many wooden skids will be loaded onto the truck for Joe Farmer to fill his private 18% ration?

- a. 8
- b. 16
- c. 32
- d. 64

85. May 2009 Chicago Board of Trade corn future contract is currently trading at \$2.50/bushel. The current cash price at the Columbus, Ohio terminal is \$2.35/bushel. The basis for Columbus, Ohio is --?

- a. \$2.35
- b. \$0.15
- c. \$4.85
- d. \$-0.15
- e. none of these

Information for questions #86 to #90

JilBre Mega Dairy Farm of Oxford, Ohio recently contracted with the Jones Dairy Cooperative in Louisville, Kentucky to market a special blend of "Cardinal" Half-and-Half 16% organic milkfat cream. To prepare the 16% half-and-half cream mix, JilBre Mega Dairy Farm will supply the 4% organic milkfat base mix to blend with the five tons of excess 38% organic milkfat "Wildcat" heavy cream from Lexington, Kentucky .

Figure problems using figures below:

milk and cream weight= 8.6#/ gallon

milk and cream weight=2.15#/quart

1 ton = 2,000#

86. Figure how many pounds of 4% organic milkfat from JilBre Mega Dairy will be used to make the 16% organic half-and-half contracted order.

- a. 10,000#
- b. 18,333#
- c. 38,333#
- d. 4,090#

87. Compute the total pounds of 16% half-and-half organic cream that will be blended in the contracted order. to market at local supermarkets in the Tri-State area.

- a. 5,000#
- b. 10,555#
- c. 28,333#
- d. 46,666#

88. Calculate the number of pounds of "Wildcat" 38% organic heavy cream used to make the special 16% organic half-and-half "Cardinal" brand order.

- a. 5,000#
- b. 10,000#
- c. 20,000#
- d. 40,000#

89. Using above data provided, how many gallons (rounded down to nearest gallon) of 16% "Cardinal" organic half-and-half will be blended to market in Tri-State stores?

- a. 581 gallons
- b. 1,162 gallons
- c. 3,294 gallons
- d. 5,426 gallons

90. Wholesale price of the 16% cream mix sells for \$5.25/gallon to local supermarkets. Using the gallons from question #89, what would be the wholesale value of the entire organic 16% organic half-and-half blend/

- a. \$3,050.25
- b. \$6,100.50
- c. \$17,293.50
- d. \$28,486.50

2009 Ohio Farm Business Management Multiple choice - KEY- 5-1-09

1. B
2. A
3. D
4. C
5. C
6. B
7. B
8. C
9. B
10. D
11. C
12. C
13. C
14. B
15. D
16. B
17. D
18. B
19. D
20. D
21. D.....(24 cents interest + 8 cents storage) = \$6.00 + .32= \$6.32= answer
22. D
23. A
24. B
25. D
26. A
27. C
28. D
29. A
30. B
31. A
32. B
33. D
34. C
35. A
36. C
37. A
38. C
39. B
40. B
41. D
42. B
43. B
44. C
45. A
46. C
47. A
48. B
49. D
50. D

2009 Ohio Farm Business Management Exam Problems KEY- 5-1-09

51. C- read from graph
52. D- read from graph
53. A- read from graph
54. D- analyze from graph

55. B- analyze from graph
56. A- analyze from graph
57. B- analyze from graph
58. B- $\$11.35 - (.50 \times \$12.50) \$6.25 + (.20 \times \$10.50) \$2.10 + (.30 \times \$10.00) \$3.00 =$ answer
59. B- $\$7,377.50 \dots 65,000\# = 650 \text{ cwt} (100\#) \times \$11.35 = \$7,377.50 =$ answer
60. A- 10 cents BF-3.6% - 3.5% base= .1% or 1 unit $\times .10 = 10 \text{ cents} =$ answer
61. C- 30 cents.....Protein-3.5% - 3.2% base= .3% or 3 units $\times .10 = 30 \text{ cents} =$ answer
62. C- $\$11.75 \dots \$11.35 \text{ blend price} + .10 - \text{BF bonus} + .30 - \text{protein bonus} = \$11.75 =$ answer
63. C- $\$7,637.50 \dots 65,000\# = 650 \text{ cwt} (100\#) \times \$11.75 = \$7,637.50 =$ ANSWER
64. C- $\$70,500 \dots (\$2,000 + 4,000 + 40,000 + 12,000 + 5,000 + 7,500) -$ answer
65. B- $\$605,000 \dots (\$400,000 + 55,000 + 15,000 + 10,000 + 60,000 + 65,000) -$ answer
66. C- $\$66,500 \dots (\$5,500 + 16,000 + 15,000 + 10,000 + 12,000 + 8,000) -$ answer
67. D- $\$245,000 \dots (\$195,000 + \$45,000 + \$35,000) = \$275,000 - \$10,000 - \$12,000 - 8,000 = \$245,000 -$ ans.
68. B- $\$364,000 \dots (\$70,500 + 605,000) = \$675,500 \text{ minus } (\$66,500 + 245,000) = \$311,500 = \$364,000 -$ ans.
69. D- $\$311,500 \text{ (debt) divided by } \$675,500 \text{ (assets)} = 0.461 =$ answer
70. B- $\$76.81 - (\$11.25 + 3.75 + 4.40 + 3.20 + 14.02 + 4.69 + 2.35 + 12.16 + 18.50) = \76.81 answer
71. C- $\$123.79 \dots \$200.60 - \text{receipts} - \$76.81 - \text{total operating costs} = \$123.79 =$ answer
72. D- $95\# \dots (15\# N + 40\# P + 40\# K) = 95\# =$ answer
73. C- $\$22.13 \dots (\$184.00 \times 10.675\%) = \$19.64 + \$2.49 \text{ annual operating capital} = \$22.13 =$ answer
74. C- $\$15.00 \dots 60\# \times .25 = \$15.00 =$ answer
75. D- $\$13.70 \dots (\$3.75 + 4.40 + 3.20 + 2.35) = \$13.70 =$ answer
76. D- $(850\# \text{ divided by } 56 = 15.78 \times \$2.20) = \$33.39 + (1300\# \text{ divided by } 2,000 = .65 \times \$102) = \$66.30 - \99.69
77. E- corn= $\$50.09$ plus hay $\$23.46 = \73.55 (R6= $\$73.66$; R5= $\$77.33$, R1= $\$99.69$
78. B -R6. R5= $\$81.74$ ($\$23.46 + \55.10); R6= $\$78.37$ ($\$26.52 + \51.86); R7= $\$78.55$ ($\$33.13 + \48.61)
79. B- 8%- $\$5,000 + \$300 = \$5,300$ (nine months) $\$5,000 \times 1.08\% = \5400 for 12 months
80. B- 1111#.....1 part= $111.11\# \times 10 \text{ parts } 44\% \text{ SBOM} = 1111\# -$ answer
81. C- 2889#.... 1 part = $111.11\# \times 26 \text{ parts } 8\% \text{ corn} = 2889\# -$ answer
82. B - 4,000# two tons $\times 2,000/\text{ton} = 4,000\# -$ answer
83. B- 80 bags... 4,000 divided by $50\#/\text{bag} = 80 \text{ bags} -$ answer
84. A- 8 skids..... 80 bags divided by $10 = 10/\text{skid} = 8 \text{ wooden skids} -$ answer
85. D- $\$ -0.15 \dots \$2.50 \text{ Chicago Board} \dots \$2.35 - \text{Columbus terminal } (\$ -0.15) =$ answer
86. B- 18,333# (833.333×22) = answer
87. C- 28,333# (12 parts + 22 parts= 34 parts $\times 833.333$) = answer
88. B- 10,000#- given in problem
89. C- 3,294 gallons (28,333 divided by 8.6#) = answer
90. C- $\$17,293.50$ (3,294 gallons $\times \$5.25/\text{gallon}$) = answer

2008 OHIO FARM BUSINESS MANAGEMENT CDE EXAM

PLACE ANSWERS ON FRONT OF MULTI PURPOSE "C" THERE ARE 90 QUESTIONS ON THIS EXAM, MAKE SURE YOUR EXAM HAS 90 QUESTIONS!!

#1- #50- 50 multiple choice questions worth 2 points each

1. Assuming a farmer with limited capital can get \$4 returns for each \$1 invested in protein supplement for feeder lambs, he should invest his limited funds in a new crop variety if:
 - a. net profit on the crop is increasing
 - b. investments in new varieties return \$4 for \$1 of added costs
 - c. investments in new varieties return more to net profit than investments in protein for feeder lambs
 - d. investments in new varieties increase yields per acre, crop quality and total farm gross income

2. A partnership is an association of two or more competent persons who have combined their money, property or labor and skill, for the purpose of carrying on a lawful agri-business for their joint profit. An advantage through the operation of a partnership is:
 - a. competition may be increased
 - b. capital and skill may be increased
 - c. the ratio of expenses per dollar may be increased
 - d. inefficient labor is always reduced

3. An example of a liability found on the balance sheet would be:
 - a. grain held in the local grain elevator
 - b. fuel expenses for the past year
 - c. the outstanding debt on a long term loan
 - d. an account receivable

4. A legally recognized document by which a person can distribute his property as he sees fit.
 - a. trust
 - b. will
 - c. annuity
 - d. gift

5. How many acres are in the SW-1/4 of the NE-1/4 of a section of land?
 - a. 160 acres
 - b. 40 acres
 - c. 20 acres
 - d. 10 acres

6. "Leverage" concerns the degree of debt a firm has in its:
 - a. capital structure
 - b. pension plan
 - c. contract legality
 - d. strategic concerns

7. An enterprise budget is:
 - a. a plan for using the firm's resources during some future period.
 - b. a plan for producing an agricultural commodity that shows the costs, resources used, and anticipated return per production unit.
 - c. the basic tool used in analyzing a change in farm operations, and estimating the change in net income.
 - d. impossible to modify to fit an individual's needs.

8. A measure of profitability of your farm business is:
 - a. current ratio.
 - b. leverage ratio.
 - c. debt to total asset ratio.
 - d. percent return on equity (ROE).

9. Which one of the following would tend to reduce risk for the manager of a farm business?
 - a. selecting the crop with the highest net return
 - b. selling all commodities
 - c. diversifying into several enterprises
 - d. specializing in a single enterprise

10. Incorporating a farm enables the business to:
 - a. sell cooperatively
 - b. be more permanent
 - c. improve production
 - d. increase personal liability

11. One of the most important points to consider in developing a lease between a "tenant farmer" to "renter" is that it should:
 - a. be in writing
 - b. specify the land description
 - c. state the type of crops to produce
 - d. specify the length of lease

12. An advantage of making life insurance policies payable to an estate is:
 - a. provide liquid funds to satisfy tax liability
 - b. provide insurance protection to heirs
 - c. decrease size of your estate
 - d. reduce estate tax liabilities

13. One of the main disadvantages of a father son partnership is that:
 - a. the farm may not be large enough
 - b. the son may no have enough capital to invest
 - c. father and son often have different goals and objectives
 - d. farm prices are too low

14. A farmer's profit will be greatest if each unit of land, labor, and capital is used:
 - a. in such a manner that it will add the most to gross returns of the farm business
 - b. on the enterprise in which the farmer has the greatest interest and ability
 - c. on the enterprises where he will realize the greatest yield per acre or animal unit
 - d. in such a manner that will add the most to net returns of the farm business

15. The higher the price of strawberries, other things being equal, the quantity consumed:
 - a. will be increased
 - b. will be decreased
 - c. will be unchanged
 - d. cannot be predicted from information given

16. The main reason for owning a piece of farm machinery with a neighbor rather than by yourself is the:
 - a. ease in maintenance
 - b. reduction in taxation
 - c. reduction in liability
 - d. reduction in investment

17. In analyzing the farm business, depreciation should be considered as:
 - a. a variable cost
 - b. a fixed cost
 - c. an opportunity cost
 - d. an operating cost

18. The ability of a farm business to pay all of its debts if it were to be liquidated at a given point is:
 - a. risk
 - b. turnover
 - c. margin
 - d. solvency

19. A ratio that is interpreted differently than the others in that a small value indicates a stronger financial position:
 - a. net capital
 - b. debt/equity
 - c. current
 - d. working capital

20. When we discuss depreciation we often use the term "basis". This means:
 - a. value of item traded in
 - b. annual depreciation of the item
 - c. value of the item at the end of its life
 - d. cost of the item

21. The two components of the annual cost of owning a capital item are:
- interest and depreciation
 - wear and tear
 - gasoline and oil
 - heat and light
22. Farm Management can best be described as an activity involving
- choosing the best dairy ration
 - making profitable farm decisions
 - maximizing production
 - using approved practices
23. The property of a farmer who dies without a will always goes to
- his children
 - his wife
 - his heirs (based on each states estate laws)
 - his wife and children equally
24. The profit-maximizing amount of fertilizer to apply to each acre of a crop will depend upon:
- the price of fertilizer
 - the price of the crop being grown
 - the yield increase received from additional applications of fertilizer
 - all of the above
25. When calculating the value of feed fed to livestock, home grown feeds are generally valued according to:
- cost of production
 - purchase price of similar feed
 - amount of gain the feed produced
 - market price
26. A trader with a long position in the futures market
- profits when prices go down; loses when prices go up.
 - profits when prices go neither up nor down.
 - profits when prices go up; loses when prices go down.
 - cannot lose money
27. The main difference between a joint tenancy and tenancy in common is:
- the surviving joint tenant will eventually own all of the land as a result of right of survivorship.
 - the surviving tenant in common will eventually own all the land as a result of right of survivorship.
 - only husbands and wives may be joint tenants.
 - tenants in common must own equal shares of the property while joint tenants may own unequal shares (i.e., H owns 1/4 and W owns 3/4).
28. Increasing leverage during a period when a farm's percent return to total capital is less than the interest rate will mean
- higher returns to equity.
 - lower returns to equity.
 - lower risk.
 - lower gross income
29. A marketing function which tends to regulate the supply of a product and provide a stable market price is
- transporting.
 - processing.
 - grading.
 - storing.
30. Which one of the following would cause an increase in the price of an agricultural commodity?
- an increase in supply and a decrease in demand
 - a decrease in supply with no change in demand
 - a decrease in demand with no change in supply
 - all of the above would cause price to increase

31. A firm should shut down in the short run if it cannot cover its
- fixed costs.
 - total costs.
 - variable costs.
 - time costs.
 - overhead costs.
32. Changes in price within a year which tend to follow the same pattern over time are called
- price cycle.
 - price seasonality.
 - price volatility.
 - price discrimination
33. If the price of a commodity is too high, the supply will be greater than the demand resulting in a
- surplus.
 - boycott.
 - monopoly.
 - shortage.
34. A farmer who buys feeder pigs could use the options market to reduce his price risk by
- buying a hog Put option.
 - selling a hog Put option.
 - buying a hog Call option.
 - selling a hog Call option.
35. Which of the following is not a supply shifter for farm products?
- weather
 - new technology
 - government programs
 - consumer income
36. For a trader who is short in the market, a standing order to buy should the futures price move above a certain level is called a
- stop order.
 - limit order.
 - permanent block.
 - hedge.
37. Interest rates go up, causing Jack's annual interest expense to increase from \$12,000 to \$14,000. This will cause his rate of return on equity to:
- increase.
 - decrease.
 - not change
38. Crop prices decline, causing Marcia's sales income to decline while leaving her cash operating expenses unchanged. This will cause her capital turnover to
- increase.
 - decrease.
 - not change.
- 39.. A grain farmer who normally stores his soybeans at a local elevator has decided to use the options market to create a synthetic storage. To do so he will sell his beans at harvest and
- buy a put option.
 - sell a put option.
 - buy a call option.
 - sell a call option.
40. A cattle feeder, wishing to use futures markets to hedge the price of slaughter cattle, would at the time of his cattle purchase
- buy futures contracts expecting to sell the contract when selling cattle.
 - sell futures contracts expecting to sell more contracts when selling cattle.
 - sell futures contracts expecting to buy contracts when selling cattle.
 - buy futures contracts expecting to buy more contracts when selling cattle.

41. If the total cost of producing 100 units of output is \$500 and the average variable cost is equal to \$1, then which of the following statements is true?
- total variable cost of the 100 units is \$400.
 - total fixed cost is equal to \$100.
 - average fixed cost is equal to \$4.
 - average total cost is equal to \$4.
42. The best measure of a firm's ability to make a short-term loan payment is
- debt/asset ratio.
 - solvency ratio.
 - current ratio.
 - leverage ratio.
 - net capital ratio.
43. If the U.S. wheat industry has an inelastic demand curve, a decrease in the amount of wheat supplied to the market would
- have no effect on total revenues in the wheat industry.
 - increase the total revenues in the wheat industry.
 - decrease the total revenues in the wheat industry.
 - cause a sharp increase in the demand for wheat.
44. A trader with a long position in the futures market
- profits when prices go down, loses when prices go up.
 - profits when prices neither go up nor down.
 - profits when prices go up, loses when prices go down.
 - loses when prices neither go up nor down
45. Which of the following is not a supply shifter for farm products?
- weather
 - new technology
 - government programs
 - consumer income
46. For a trader who is short in the market, a standing order to buy should the futures price move above a certain level is called a
- stop order.
 - limit order.
 - permanent block.
 - hedge.
47. Interest rates go up, causing Jack's annual interest expense to increase from \$12,000 to \$14,000. This will cause his rate of return on equity to
- increase.
 - decrease.
 - not change.
 - any of the above
48. Crop prices decline, causing Marcia's sales income to decline while leaving her cash operating expenses unchanged. This will cause her capital turnover to
- increase.
 - decrease.
 - not change.
49. The ability of larger firms to be more profitable than smaller firms in the same industry is an example of
- diminishing returns.
 - imperfect competition.
 - inelastic supply.
 - economies of size.
50. How many acres are in a section of land?
- 40
 - 160
 - 640
 - 1,000

#51- #90- Problem Solving - 40 multiple choice questions worth 5 points each

Problem "A" - Market Value Balance Sheet- for questions #52- #57

Using the information below, complete the net worth statement for January 1, 2008:

Land	\$207,000
Accounts Payable	6,500
Machinery and equipment.	61,000
Cows	16,000
Calves	3,600
Sows and boars	15,000
Market hogs.	50,000
Checking and savings	17,800
Wheat	4,800
Hog buildings.	47,000
Feed and hay	8,500
Accrued interest owed.	14,900
Accrued taxes owed	15,100
30-year land loan balance is \$120,000. \$9,000 plus interest is due March 1 of each year.	
5-year tractor loan balance is \$44,000. \$11,000 plus interest is due August 31 of each year.	
20-year home loan balance is \$38,216. \$9,554 plus interest is due each February 1.	

Questions #51 to #57 refer to problem "A" above

51. The total value of current assets on January 1, 2006, was:
 - a. \$81,100
 - b. \$84,700
 - c. \$91,200
 - d. \$99,700
 - e. none of the above

52. The total value of non-current assets was:
 - a. \$346,000
 - b. \$358,000
 - c. \$361,600
 - d. \$411,600

53. The total value of current liabilities was:
 - a. \$30,000
 - b. \$50,000
 - c. \$66,054
 - d. \$88,216

54. The total value of non-current liabilities was:
 - a. \$120,000
 - b. \$163,108
 - c. \$202,216
 - d. \$232,216
 - e. none of the above

55. The net worth was:
 - a. \$191,984
 - b. \$232,216
 - c. \$358,000
 - d. \$442,700

56. The current ratio was:
 - a. 0.197
 - b. 0.245
 - c. 0.780
 - d. 1.282

57. The debt to asset ratio was:
- 0.499
 - 0.554
 - 0.780
 - 1.80

Problem “B”- Marketing- information for #58- #62-

On January 12, Carl Ogden puts 100 head of steers on feed. He sells them as slaughter cattle on June 5. Ignore commissions, and interest.

January 12 quotes: June 5 quotes:

June futures price = \$86.50 June futures price = \$80.10
 Expected basis = \$1.00 under the board Basis = \$0.80 under the board

Strike price	--- Premiums ---		--- Premiums ---	
	Call	Put	Call	Put
\$81.00	\$6.05	\$0.55	\$1.40	\$1.21
\$83.00	\$4.35	\$1.15	\$0.50	\$2.62
\$85.00	\$3.10	\$1.85	\$0.25	\$4.50
\$87.00	\$2.10	\$2.75	\$0.05	\$6.11
\$89.00	\$1.37	\$4.00	\$0.02	\$7.95

Questions # 58 to #62 refer to Problem “B” above

58. What is the cash price of slaughter cattle on June 5?
- \$79.30
 - \$80.10
 - \$85.90
 - \$91.00
59. If Mr. Ogden sold a futures contract on January 12 and bought back the contract on June 5, what would be the realized price per hundredweight (cash + net on futures) for these steers?
- \$79.30
 - \$81.70
 - \$83.50
 - \$85.70
60. If Carl bought a \$85.00 Put on January 12 and sold the Put on June 5, what would be the realized price per hundredweight (cash + net on options) for his steers?
- \$76.65
 - \$81.95
 - \$83.50
 - \$85.70
61. If Mr. Ogden bought a \$85.00 Put and sold a \$85.00 Call on January 12, and sold the Put and bought back the Call on June 5 what would be the realized price per cwt.(cash + net on options) for his steers?
- \$77.30
 - \$79.00
 - \$83.25
 - \$84.80
62. Given all the information in Problem V, which of the following actions taken on January 12 turned out to be the most profitable?
- selling a futures contract.
 - buying a \$85 Put option.
 - buying a \$85 Put and selling a \$85 Call.
 - taking no market action.

Problem “C”- Data for questions #63 to #69- Market Value Balance Sheet

Using the information below, complete the net worth statement for January 1, 2008:

Land	\$750,000
House	140,000
Machinery and equipment	85,000
Cows	30,000
Calves	15,000
Accounts payable	4,200
Autos	32,000
Sows and boars	20,000
Feeder pigs	11,000
Checking and savings	12,250
Soybeans	9,000
Hog buildings	70,000
Feed and hay	9,510
Accounts receivable	2,500
Accrued interest owed	15,105
Accrued taxes owed	8,300

30-year land loan balance is \$240,000.

\$12,000 plus interest is due March 1 of each year.

5-year tractor loan balance is \$14,460.

\$4,820 plus interest is due August 31 of each year.

15-year home loan balance is \$88,000.

\$2,000 plus interest is due each quarter.

Questions #63 to #69- refer to PROBLEM “C” above

63. The total value of current assets on January 1, 2008, was
 - a. \$59,260
 - b. \$79,260
 - c. \$109,260
 - d. \$114,260

64. The total value of non-current assets was
 - a. \$607,295
 - b. \$885,000
 - c. \$1,127,000
 - d. \$1,177,400

65. The total value of current liabilities was
 - a. \$19,320
 - b. \$28,505
 - c. \$47,825
 - d. \$52,425

66. The total value of non-current liabilities was
 - a. \$259,640
 - b. \$289,140
 - c. \$299,640
 - d. \$319,460
 - e. None of the above

67. The net worth was
 - a. \$600,740
 - b. \$816,195
 - c. \$885,000
 - d. \$944,260

68. The current ratio was
 - a. 0.71
 - b. 0.81
 - c. 1.13
 - d. 1.41

69. The debt to equity ratio was
- 0.377
 - 0.453
 - 0.773
 - 1.769

**PROBLEM "D"- #70- #72 - Financial Analysis
- data for questions #70- #72 below**

Bob Buxton is a cash basis taxpayer. His farm records for 2007 show the following:

2007 Farm Sales.....	\$201,976
2007 Interest Paid	22,475
2007 Net Farm Profit	38,107
2007 Depreciation	40,560
2007 Gain in Inventory	29,800
1/1/08 Total Assets	\$912,689
1/1/08 Total Liabilities	\$300,972

70. Bob's interest expense as a percent of sales is
- 11.13%.
 - 7.22%.
 - 5.67%.
 - 3.77%.
71. Bob's net farm profit does not include a charge for his own labor (which he values at \$20,000 per year). Bill will have to pay self-employment taxes on ___
- \$18,107.
 - \$20,000.
 - \$38,107.
 - \$67,90
72. Bob's operating margin (profit plus inventory change) as a percent of sales was
- 3.17%.
 - 4.79%.
 - 15.03%.
 - 33.62%.

PROBLEM "E" #73 to #78 - Investment Analysis

In February 2007, Jimmie Lutz purchased his mother's 240-acre farm. The farm is entirely in pasture and hay. Junior is trying to decide whether he should continue to rent the farm to a neighbor who has been paying \$4,800 per year pasture rent, or to buy feeder cattle and graze the land himself. Junior figures there is enough pasture to support 120 steers from April until October.

- use above information for questions #73- #78

73. Jimmie can buy some 600 pound steers for \$75 per cwt. What will be his capital cost for 120 steers?
- \$ 7,200
 - \$ 9,000
 - \$31,500
 - \$54,000
74. He will have the hay custom baled. He has 30 acres of alfalfa which averages 5 tons per acre. He can get it baled and put in the barn for \$50 per ton. What will his hay cost be?
- \$1,600
 - \$3,200
 - \$7,500
 - \$8,000
75. Jimmie figures he can sell the hay in January for \$80 per ton. What will be his expected net return to the hay land?
- \$ 4,500
 - \$ 6,000
 - \$ 7,500
 - \$12,000

76. Mr. Lutz figures it will require 2.5 hours per calf to take care of the steers. But, since he enjoys working with cattle, he only puts a value of \$7 per hour on his labor. What will be the annual charge for his labor?
- \$ 17.50
 - \$ 840
 - \$2,100
 - \$2,600
77. Jimmie figures he will have a 5% death loss and market the calves at 850 pounds for 70 cents per pound. What is his expected gross income?
- \$56,525
 - \$59,500
 - \$67,830
78. Junior estimates that minerals, veterinary, taxes, insurance, trucking, interest, and other miscellaneous costs will amount to \$65 per steer purchased. These costs total to
- \$1,500
 - \$2,000
 - \$4,200
 - \$7,800

Problem "F"- alfalfa budget to answer questions #79 to #85
ALFALFA HAY 3.5 TONS PER ACRE ANNUAL PRODUCTION
Owned Equipment, Custom Hauling

Operating Inputs:	Units	Price	Quantity	Value
Alfalfa insect.	Acre	14.630	2.000	29.26
Storage	Tons	4.000	3.250	13.00
Custom hauling	Tons	0.380	3.250	1.24
Estab. prorated	Acre	192.630	0.200	38.55
Baling wire	Bl.	0.120	97.00	11.64
Annual operating capital	Dol.	0.086	28.037	2.42
Machinery labor	Hr.	4.65	2.323	10.80
Livestock labor	Hr.	4.65	0.750	3.488
Mach. fuel, lube, repair	Dol.			22.12
Total operating costs				132.52
Fixed Costs:		Amount		Value
Machinery				
Interest at 9.25%		194.68		18.01
Depr., taxes, insurance				15.95
Total fixed costs				43.96
Production:	Units	Price	Quantity	Value
Alfalfa hay	Tons	90.00	3.25	292.50
Total receipts				292.50
Returns above total operating cost				159.98
Returns above all costs except overhead, risk, and management				116.02

Establishment cost prorated over five years.

-
79. Total operating cost per acre is:
- \$116.02
 - \$132.52
 - \$159.98
 - \$292.50
80. The return above total operating cost per acre is:
- \$116.02
 - \$132.52
 - \$159.98
 - \$292.50

81. How many hours of labor are budgeted per acre?
 a. 0.750
 b. 2.323
 c. 3.073
 d. 3.488
82. What price per bale is paid for baling wire?
 a. 12 cents
 b. 45 cents
 c. 97 cents
 d. 111 cents
83. What is the total budgeted interest cost per acre?
 a. \$10.80
 b. \$18.01
 c. \$20.43
 d. \$25.95
84. How many tons of hay are produced in a 80-acre field?
 a. 40
 b. 90
 c. 130
 d. 260
85. What was the cost per acre to establish the stand of alfalfa?
 a. \$38.55
 b. \$132.52
 c. \$192.63
86. A farm business has a debt/worth ratio of 1:2. Its current liabilities total \$30,000 and its non-current liabilities total \$90,000. What is the value of its assets?
 a. \$420,000
 b. \$360,000
 c. \$240,000
 d. \$120,000
87. A cattle feeding operation has sales of \$730,000, feed purchases of \$300,000, other costs of \$400,000, an opening inventory of \$380,000, and a closing inventory of \$400,000. What is the net farm income for this operation on an accrual basis?
 a. \$10,000
 b. \$30,000
 c. \$50,000
 d. \$730,000

Problem "G" information for questions #88 to #90

Farmer Doug Douglas will buy 800 pound steers in late October. He will have to pay \$100 per hundredweight for the 800 pound steers. The expected annual price for 1150 pound steers is \$85 per cwt. However there is normally seasonal variation in fed cattle prices. The monthly price indexes for slaughter steers are:

	Index		Index
January	102	July	96
February	103	August	97
March	104	September	98
April	103	October	99
May	100	November	101
June	97	December	100

88. What price for 1150 pound steers can Mr. Douglas expect for a February selling date?
 a. \$82.82 per cwt.
 b. \$85.00 per cwt.
 c. \$87.55 per cwt.
 d. \$88.00 per cwt.

89. What price can Mr. Douglas expect for a March selling date?
- a. \$82.80 per cwt.
 - b. \$85.00 per cwt.
 - c. \$87.25 per cwt.
 - d. \$88.40 per cwt.
90. Assuming a March selling date and all costs (excluding purchase of the feeder steers) total \$200 per head, Mr. Douglas can expect a profit of
- a. less than \$0 (he would lose money).
 - b. \$0 - \$49.99 per head.
 - c. \$50 - \$99.99 per head.
 - d. \$100 - \$149 per head.
 - e. over \$150 per head.

END OF EXAM- REVIEW ALL ANSWERS AND PLACE ON CORRECT SHEET

2008 Ohio Farm Business Management CDE Exam- KEY- to be released after exam 5-2-08

Multiple choice Problem Solving

- | | |
|-------|---------------------------------------|
| 1. C | 51. B <u>Corrected answers in red</u> |
| 2. B | 52. A |
| 3. C | 53. C |
| 4. B | 54. E |
| 5. B | 55. A |
| 6. A | 56. D |
| 7. B | 57. B |
| 8. D | 58. A |
| 9. C | 59. D |
| 10. B | 60. B |
| 11. A | 61. D |
| 12. A | 62. A |
| 13. C | 63. A |
| 14. D | 64. C |
| 15. B | 65. D |
| 16. D | 66. E |
| 17. B | 67. B |
| 18. D | 68. C |
| 19. B | 69. B |
| 20. D | 70. A |
| 21. A | 71. C |
| 22. B | 72. D |
| 23. C | 73. D |
| 24. D | 74. C |
| 25. D | 75. A |
| 26. C | 76. C |
| 27. A | 77. C |
| 28. B | 78. D |
| 29. D | 79. B |
| 30. B | 80. C |
| 31. C | 81. C |
| 32. B | 82. A |
| 33. A | 83. C |
| 34. A | 84. D |
| 35. D | 85. No Answer |
| 36. A | 86. B |
| 37. B | 87. C |
| 38. B | 88. C |
| 39. C | 89. D |
| 40. C | 90. B |
| 41. C | |
| 42. C | |
| 43. B | |
| 44. C | |
| 45. D | |
| 46. A | |
| 47. B | |
| 48. B | |
| 49. D | |
| 50. C | |

**2007 OHIO FARM BUSINESS MANAGEMENT CDE EXAM
MULTIPLE CHOICE**

*(50 questions worth 2 points per question) DO NOT USE INK- IT IS YOUR RESPONSIBILITY TO MAKE SURE THAT THERE
ARE 90 QUESTIONS ON THIS EXAM AND THAT YOU USE MULTI PURPOSE "B" TO RECORD YOUR ANSWERS ON
THE FRONT NUMBER 1-90!*

- ___ 1. Which of the following is the primary purpose of a current ratio?
- a. to determine net worth.
 - b. to include in your tax return.
 - c. to determine your ability to meet immediate financial obligations.
 - d. to aid in evaluating your farm profitability.
- ___ 2. Which of the following is affected by the type of business organization a farmer chooses?
- a. amount of machinery owned
 - b. production (crops and livestock) yields
 - c. the value of the crops held in inventory.
 - d. transferability of ownership
- ___ 3. A future trader who has bought futures and thus is under contract to take delivery is said to be:
- a. short
 - b. long
 - c. bullish
 - d. bearish
- ___ 4. If you are considering a change in the farm business that will affect only a few items in your total farm budget, this change would appropriately be evaluated using a:
- a. total farm budget
 - b. cash flow budget
 - c. depreciation schedule
 - d. partial budget.
- ___ 5. Net worth is a measure of:
- a. managerial ability
 - b. financial position
 - c. profitability
 - d. liquidity
- ___ 6. Which of the following usually is not a means of reducing financial risk on a farm?
- a. specialization
 - b. diversification
 - c. insurance
 - d. forward contracting
- ___ 7.. Renting land on shares of production rather than for cash results in:
- a. less risk for both the landlord and the tenant.
 - b. more risk for both the landlord and the tenant.
 - c. less risk for the landlord, more risk for the tenant.
 - d. more risk for the landlord, less risk for the tenant.
- ___ 8. The spread between local cash price and the price of the near term futures contract is called:
- a. margin.
 - b. bid.
 - c. basis.
 - d. commission.

- _____ 9. One of the best measures of financial progress over a period of years is:
- change in net worth.
 - capital investments.
 - income tax paid.
 - net cash income.
- _____ 10. The type of business that would distribute patronage refunds is a(an):
- individual proprietorship.
 - partnership.
 - corporation.
 - cooperative.
- _____ 11. Which of the following is considered to be a fixed cost?
- hired seasonal labor.
 - depreciation on machinery.
 - machinery repairs.
 - feed purchases.
- _____ 12. Which of the following has NO direct impact on the production costs of a certain product?
- production methods
 - amount of input used
 - consumer demand
 - size of the operation
- _____ 13. The specified price at which the option purchaser may buy or sell the commodity is the:
- strike price.
 - call price.
 - put price.
 - option price.
- _____ 14. The process of finding the present value of a dollar to be received at some future date is known as:
- compounding.
 - discounting.
 - forwarding
 - ratio analysis.
- _____ 15. Limited liability is an advantage of a:
- cooperative
 - corporation
 - partnership
 - single proprietorship
- _____ 16. The type of life insurance which provides protection for a limited time and is usually cheaper per dollar of protection is called:
- whole life.
 - term.
 - endowment.
 - new life.
- _____ 17. One who trades in the futures market and attempts to anticipate price changes and market activities to make a profit but does not hold the physical commodity is a:
- broker
 - hedger
 - buyer
 - speculator

- ___ 18. In the futures market, a "bear" is one who believes:
- prices are headed higher
 - prices are headed lower
 - prices will stabilize
 - prices will decline after an upward swing
- ___ 19. Depreciation is best defined as:
- an alternative for investment credit
 - only used for breeding animals
 - an allowance for wear, tear, and obsolescence
 - a technique to reduce taxes
- ___ 20. One of the most important points to consider in developing a lease between a tenant farmer and a landlord is that it should:
- be in writing
 - specify the land description
 - state the type of crops to produce
 - specify the length of lease
- ___ 21. Incorporating a farm enables the business to:
- sell cooperatively
 - be more permanent
 - improve production
 - increase personal liability
- ___ 22. The judicial process of administering estates of all decedents is known as:
- living trust
 - last will and testament
 - beneficiary
 - probate
- ___ 23. A legal instrument used to transfer title to real property.
- trustee
 - will
 - abstract
 - deed
- ___ 24. The theory of supply states that:
- price and quantity supplied are not related
 - price and quantity are directly related
 - total revenue is solely dependent upon the quantity supplied
 - total revenue is solely dependent upon the prices of the product
- ___ 25. Which of the following does not represent a variable cost in corn production?
- starter fertilizer
 - land taxes
 - hail insurance premium
 - seed corn
- ___ 26. The difference between net worth and total assets is:
- capital gain
 - capital loss
 - total liabilities
 - net profit
- ___ 27. A farm asset is:
- what a farmer made last year
 - what a farmer owns
 - what a farmer owes
 - an account payable

- ___28. When a farmer prepared a list of expected income and expense for next year, he has developed:
- income tax reports
 - a projected cash flow
 - an inventory
 - a financial statement and a projected cash flow
- ___29. Which of the following is not a good measure of the size of a farm business?
- capital investment per worker
 - number of work units
 - machinery inventory
 - tillable acres
- ___30. A budget predicts:
- price fluctuations
 - net worth change
 - income and expenses
 - inventory changes
- ___31. In the grain trade, inverted basis is most likely to occur when the local crop is
- in very short supply
 - in great surplus
 - of excellent quality
 - ready for harvest
- ___32. The person who writes or sells an option
- is assuming the risk of adverse price changes in the futures market
 - is passing the risk of adverse price changes in the futures market on to the person who buys the option
 - is the one who makes the money
 - must have possession of the underlying commodity
- ___33. The Federal Insurance Contribution Act (FICA) tax is also called:
- Medicare
 - Medicaid
 - Social Security
 - Internal Revenue
- ___34. A sales tax imposed on the retail sale of goods is called a
- consumer tax
 - property tax
 - vender tax
 - progressive tax
- ___35. Liquidity is best described as:
- the ability to meet cash obligations as they come due.
 - total assets minus total liabilities
 - having no long term debt
 - the rate of capital turn-over
- ___36. A farmer with limited capital who is in need of temporary life insurance protection should purchase:
- an universal life policy
 - a whole life policy
 - a term life policy
 - a limited payment life policy

- ___37. Repayment capacity is best measured by the.
- enterprise budget.
 - projected cash flow statement.
 - profit and loss statement.
 - check book.
- ___38. When preparing an annual budget for a corn production enterprise, land ownership costs are considered to be:
- a variable cost.
 - a depreciable cost.
 - an operating cost.
 - a fixed cost.
- ___39. When the size of the soybean harvest exceeds locally available farm and elevator storage, what usually happens to the basis?
- narrows.
 - widens.
 - goes out of existence.
 - usually the same all year long.
- ___ 40. Because sales and excise taxes are the same for people of all income levels, they are often called
- flat
 - progressive
 - regressive
 - natural
- ___ 41. A line-of-credit loan to purchase fertilizer is:
- an operating loan.
 - a mortgage.
 - a consumer loan.
 - a long term loan.
- ___ 42. Renting farmland on shares of production rather than cash results in:
- less risk for the landlord and more risk for the tenant.
 - more risk for the landlord and less risk for the tenant.
 - more risk for both the landlord and the tenant.
 - less risk for both the landlord and the tenant.
- ___ 43. The main purpose of a farm inventory is to show the:
- net profit margin of the business
 - cash-flow in the business
 - list all assets and liabilities plus changes from year to year
 - expense and receipts in the business
- ___ 44. A farmer who wants the right but not the obligation to sell a particular commodity at a specific price level would use a:
- basis contract.
 - put option.
 - call option.
 - cash forward contract.
- ___ 45. Which of the following types of life insurance policies does not have a cash value?
- whole life
 - term life
 - universal life
 - all have cash value

- _____ 46. Which one of the following would tend to reduce risk for the manager of a farm business?
- selecting the crop with the highest net return
 - selling all commodities
 - diversifying into several enterprises
 - specializing in a single enterprise
- _____ 47. One would expect the greatest price rise in a product when:
- demand increases and supply increases
 - demand decreases and supply increases
 - demand increases and supply decreases
 - demand decreases and supply decreases
- _____ 48. In preparing a cash flow plan, one should not include which of the following expense items:
- principal payments on long term debt
 - cash paid for machinery purchases
 - machinery depreciation
 - family living and other non-farm expense
- _____ 49. One who trades in the futures market and attempts to anticipate price changes and market activities to make a profit but does not hold the physical commodity is a:
- broker
 - hedger
 - buyer
 - speculator
- _____ 50. The federal government relies mainly on the _____ tax for its revenue
- income tax
 - sales tax
 - inheritance tax
 - property tax

PROBLEM SOLVING #51-#90 Five points Each

For questions #51 - #56 assume:

The loan rate for wheat is \$2.75 per bushel.

The CCP trigger price for wheat is \$3.34 per bushel.

The target price for wheat is \$3.86 per bushel.

Diane Dowell finishes her wheat harvest on June 28, 2006. She harvested 10,000 bushels and put them in on-farm storage. The posted county price for wheat is \$2.60 on June 28, \$2.70 on October 21, and \$2.80 on December 19.

51. If Diane elects to claim her Loan Deficiency Payment on June 28, she will receive
- \$0
 - \$0.05/bushel
 - \$0.15/bushel
 - \$0.74/bushel
 - None of the above
52. If Diane elects to claim her Loan Deficiency Payment on October 21, she will receive
- \$0
 - \$0.05/bushel
 - \$0.15/bushel
 - \$0.64/bushel
 - None of the above

53. If Diane elects to claim her Loan Deficiency Payment on October 21, she will receive her LDP payment for
- 10,000 bushels
 - 85% of 10,000 bushels
 - 78% of 10,000 bushels
 - 78% of her farm's historic base production
 - None of the above
54. Diane will be able to collect a counter-cyclical payment if
- the posted county price in December averages the loan rate.
 - the seasonal average price is under the trigger price.
 - the seasonal average price is under the target price.
 - the seasonal average price is above the trigger price.
 - None of the above
55. The fixed payment is the difference between
- the posted county price and the loan rate.
 - the loan rate and the CCP trigger price.
 - the CCP trigger price and the target price.
 - the loan rate and the target price.
 - None of the above
56. Diane will not receive a fixed payment if
- the posted county price is above the loan rate.
 - the seasonal average price is above the trigger price.
 - the seasonal average price is above the target price.
 - her farm does not have a wheat acreage base.
 - None of the above

Data for questions #57- #61

On July 10, a farmer has 5,000 bushels of wheat in his bins. He sells it on January 15. Ignore commissions, storage cost, and interest.

July 10 quotes:

January 15 quotes:

March futures price = \$3.70

March futures price = \$3.45

Expected basis = \$0.10 under the board

Basis = \$0.05 under the board

Strike price	---- Premiums ----		---- Premiums ----	
	Call	Put	Call	Put
\$3.10	\$0.73	\$0.01	\$0.58	\$0.01
\$3.20	\$0.63	\$0.02	\$0.48	\$0.02
\$3.30	\$0.53	\$0.03	\$0.38	\$0.04
\$3.40	\$0.43	\$0.08	\$0.28	\$0.11
\$3.50	\$0.33	\$0.15	\$0.19	\$0.19
\$3.60	\$0.24	\$0.24	\$0.12	\$0.29

57. What is the cash price of wheat on January 15?
- \$3.40
 - \$3.45
 - \$3.50
 - \$3.60
 - None of the above
58. If the farmer sold a futures contract on July 10 and bought back the contract on January 15, what would be the realized price per bushel (cash + net on futures) for the wheat?
- \$3.15
 - \$3.25
 - \$3.40
 - \$3.65
 - None of the above

59. If the farmer bought a \$3.40 Put on July 10 and sold the Put on January 15, what would be the realized price per bushel (cash + net on options) for his wheat?
- A. \$3.25
 - B. \$3.37
 - C. \$3.43
 - D. \$3.55
 - E. None of the above
60. If the farmer bought a \$3.40 Put and sold a \$3.40 Call on July 10, and sold the Put and bought back the Call on January 15, what would be the realized price per bushel (cash + net on options) for his wheat?
- A. \$3.22
 - B. \$3.34
 - C. \$3.46
 - D. \$3.58
 - E. None of the above
61. Given all the information above, which of the following actions taken on July 10 turned out to be the most profitable?
- A. Selling a futures contract.
 - B. Buying a \$3.40 Put option.
 - C. Buying a \$3.40 Put and selling a \$3.40 Call.
 - D. Selling the wheat on July 10.
 - E. Taking no market action.

Use the following information to answer question #62 - #68

N	Present Value of a \$1	Future Value of a \$1	Present Value of Annuity
1	0.9346	1.0700	0.9346
2	0.8734	1.1449	1.8080
3	0.8163	1.2250	2.6243
4	0.7629	1.3108	3.3872
5	0.7130	1.4026	4.1002
6	0.6663	1.5007	4.7665

62. A dollar invested for 5 years will be worth
- A. 24.39 cents.
 - B. 71.30 cents.
 - C. \$1.40.
 - D. \$4.10.
 - E. None of the above
63. A field of alfalfa will produce \$1,000 during the first year, \$4,000 during each of the next 4 years and \$3,000 in the sixth year. What is the present value of this income stream?
- A. \$14,453.50
 - B. \$14,929.60
 - C. \$15,595.90
 - D. \$18,157.10
 - E. None of the above

64. A beef cow produces after-tax returns at the end of the year of \$60/year for 5 years and can be sold for \$400 after-tax at the end of the fifth year. Assume the above table uses the appropriate discount rate and determine the current value of the cow.
- A. \$468.20
 - B. \$477.77
 - C. \$495.56
 - D. \$531.21
 - E. None of the above
65. With one year of income remaining in the beef cow in the question above, how much should she be worth using the above table?
- A. \$383.19
 - B. \$396.72
 - C. \$429.92
 - D. \$470.00
 - E. None of the above
66. If the farmer expects interest rates to decrease, but no change in net returns to cattle, what impact is this likely to have on the present value of the beef cow?
- A. Decrease the present value
 - B. Increase the present value
 - C. Would not change the present value
 - D. Cannot tell
67. What is the annual payment on a \$25,000 loan amortized over 5 years?
- A. \$4,166.67
 - B. \$5,244.94
 - C. \$5,407.86
 - D. \$6,097.26
 - E. None of the above
68. What discount rate is used in the above table?
- A. 7.0%
 - B. 8.4%
 - C. 9.5%
 - D. 10.8%
 - E. None of the above

The loan rate for soybeans is \$5.00 per bushel.

The CCP trigger price for soybeans is \$5.36 per bushel.

The target price for soybeans is \$5.80 per bushel.

For questions 69-74 assume:

Debra Ogden finishes her soybean harvest on October 28, 2006. She harvested 10,000 bushels and put them in on-farm storage until 2005. The posted county price for beans is \$5.05 on October 28, \$4.85 on November 21, and \$5.00 on December 19.

69. If Debra elects to claim her Loan Deficiency Payment on October 28, she will receive
- A. \$0
 - B. \$0.05/bushel
 - C. \$0.31/bushel
 - D. \$0.75/bushel
 - E. None of the above

70. If Debra elects to claim her Loan Deficiency payment on November 21, she will receive
- \$0
 - \$0.15/bushel
 - \$0.51/bushel
 - \$0.95/bushel
 - None of the above
71. If Debra elects to claim her Loan Deficiency Payment on November 21, she will receive her LDP payment for _____.
- 10,000 bushels
 - 85% of 10,000 bushels
 - 78% of 10,000 bushels
 - 78% of her farm's historic base production
 - None of the above
72. Debra will be able to collect a counter-cyclical payment if
- the posted county price in December averages the loan rate.
 - the seasonal average price is under the trigger price.
 - the seasonal average price is under the target price.
 - the seasonal average price is above the trigger price.
 - None of the above
73. The fixed payment is the difference between
- the posted county price and the loan rate.
 - the loan rate and the CCP trigger price.
 - the CCP trigger price and the target price.
 - the loan rate and the target price.
 - None of the above
74. Debra will not receive a fixed payment if
- the posted county price is above the loan rate.
 - the seasonal average price is above the trigger price.
 - the seasonal average price above the target price.
 - her farm does not have a soybean acreage base.
 - None of the above

Information for questions #75 - #78

Farmer John Smirkenwhacker is trying to analyze changes in his net worth from last year to this year. There were no changes in his beginning and ending accrued interest, accrued taxes, accounts payable, or inventory of non-capital assets. He neither received nor made any gifts or inheritances. He has gathered the following information:

Beginning checking balance \$10,000
 Ending checking balance \$15,000
 Gross cash farm operating income \$200,000
 Farm operating expenses (excluding debt payments) \$181,000
 Capital sales \$50,000
 Capital purchases \$35,000
 Money borrowed \$20,000
 Principal payments \$22,000
 Interest paid \$17,000
 Withdrawals from savings \$5,000
 Deposits to savings \$0

75. What were the total cash inflows (excluding the beginning cash balance) into the business?
- \$200,000
 - \$250,000
 - \$270,000
 - \$275,000
 - None of the above

76. What were the total cash outflows (excluding the ending cash balance) from the business?
- A. \$181,000
 - B. \$220,000
 - C. \$255,000
 - D. \$260,000
 - E. None of the above
77. His beginning liabilities were \$200,000. What are his ending liabilities?
- A. \$178,000
 - B. \$196,000
 - C. \$198,000
 - D. \$200,000
 - E. None of the above
78. If total depreciation for the year was \$60,000 and the capital items sold had a remaining book value of \$34,000, then the book value net worth should have
- A. decreased by \$15,000.
 - B. decreased by \$53,000.
 - C. decreased by \$55,000.
 - D. decreased by \$57,000.
 - E. None of the above

Below data ID for questions #79- #84

Farmer Cecelia Minnachs is looking at a precision ag firm that can apply fertilizer in 10 lb. increments. The cost of fertilizer is \$0.45/lb. Corn was selling for \$2.50 per bushel, and she had no idea it would go to over \$4.00/ushel. She has one field that is a mix of Soils A and B. The field is 100 acres with 40 acres of Soil A and 60 acres of Soil B. She has determined that her yields will respond according to the following table.

Fertilizer lbs./ac.	Soil A yld. bu./ac.	Soil B yld. bu./ac.
120	100	120
130	105	128
140	108	134
150	110	138
160	111	141
170	112	143

79. How much fertilizer should she apply per acre if he fertilizes the entire field based on Soil Type A?
- A. 130 lbs.
 - B. 140 lbs.
 - C. 150 lbs.
 - D. 160 lbs.
 - E. None of the above
80. What are her net returns above fertilizer cost for the entire field if she fertilizes the entire field based on Soil A?
- A. \$14,160
 - B. \$17,760
 - C. \$19,180
 - D. \$24,950
 - E. None of the above
81. How much fertilizer should she apply per acre if she fertilizes the entire field based on Soil Type B?
- A. 140 lbs.
 - B. 150 lbs.
 - C. 160 lbs.
 - D. 170 lbs.
 - E. None of the above

82. What are her net returns above fertilizer cost for the entire field if she fertilizes the entire field based on Soil B?
- A. \$16,980
 - B. \$17,700
 - C. \$18,690
 - D. \$25,000
 - E. None of the above
83. What are her net returns above fertilizer cost for the entire field if she fertilizes by applying the profit maximizing amount on each soil type?
- A. \$25,025
 - B. \$25,060
 - C. \$25,100
 - D. \$25,160
 - E. None of the above
84. What are her net returns above fertilizer cost for the entire field if she applies 160 pounds per acre on all 100 acres?
- A. \$24,550
 - B. \$24,875
 - C. \$25,050
 - D. \$25,125
 - E. None of the above

Information for questions #85 - #89

Loan Amortization: You have a \$10,000 loan to be paid back over 7 periods in equal payments.

Period	Outstanding principal before payment	Loan payment	Payment portion interest	Payment portion principal
1	\$10,000.00	\$1,855.53	A	\$1,155.53
2	\$8,844.47	\$1,855.53	\$619.11	\$1,236.42
3	\$7,608.05	\$1,855.53	\$532.56	B
4	\$6,285.08	\$1,855.53	\$439.95	\$1,415.58
5	C	\$1,855.53	\$340.86	\$1,514.67
6	\$3,354.83	\$1,855.53	\$234.84	D
7	\$1,734.14	\$1,855.53	\$121.39	\$1,734.14

85. The value of A is
- A. \$700.00
 - B. \$709.22
 - C. \$712.86
 - D. \$720.15
 - E. None of the above
86. The value for C is
- A. \$4,851.75
 - B. \$4,869.50
 - C. \$4,894.66
 - D. \$4,907.18
 - E. None of the above
87. What is the outstanding principal after the seventh payment?
- A. -\$121.39
 - B. \$0
 - C. \$121.39
 - D. \$1,734.14
 - E. None of the above

88. What interest rate is used for this loan?

- A. 7.00%
- B. 7.75%
- C. 8.23%
- D. 17.74%
- E. None of the above

89. Using the table above, what is the present value of an annuity of \$1,855.53 for 5 years?

- A. \$6,285.08
- B. \$7,608.05
- C. \$8,112.14
- D. \$9,277.65
- E. None of the above

90. At the beginning of last year, farmer Doug Daily had an outstanding loan for \$217,475. The interest rate was a very steep 8% APR and the best he could find. If he made one payment at the end of \$45,000, what was the outstanding balance at the end of the year?

- A. \$17,398
- B. \$189,873
- C. \$199,873
- D. \$204,228
- E. No correct choice listed above

END OF EXAM-DID YOU JUST FINISH 90 QUESTIONS AND RECORD THEM ON MULTI PURPOSE "B" SCANSHEET ON THE FRONT 1-90? IF NOT, FIND OUT WHAT IS WRONG, IT IS YOUR RESPONSIBILTIY TO MAKE SURE YOU HAVE DONE THESE THINGS!!!!!!!!!!!!

**ANSWERS 2007 OHIO FBM CDE EXAM-
2 POINTS EACH**

- | | |
|-------|-------|
| 1. C | 55. C |
| 2. D | 56. D |
| 3. B | 57. A |
| 4. D | 58. D |
| 5. B | 59. C |
| 6. A | 60. D |
| 7. D | 61. A |
| 8. C | 62. C |
| 9. A | 63. C |
| 10. D | 64. D |
| 11. B | 65. C |
| 12. C | 66. B |
| 13. A | 67. D |
| 14. B | 68. A |
| 15. B | 69. A |
| 16. B | 70. B |
| 17. D | 71. A |
| 18. B | 72. B |
| 19. C | 73. C |
| 20. A | 74. D |
| 21. B | 75. D |
| 22. D | 76. C |
| 23. D | 77. C |
| 24. B | 78. D |
| 25. B | 79. C |
| 26. C | 80. D |
| 27. B | 81. D |
| 28. B | 82. D |
| 29. C | 83. D |
| 30. C | 84. C |
| 31. A | 85. A |
| 32. A | 86. B |
| 33. C | 87. B |
| 34. A | 88. A |
| 35. A | 89. B |
| 36. C | 90. B |
| 37. B | |
| 38. D | |
| 39. B | |
| 40. C | |
| 41. A | |
| 42. B | |
| 43. C | |
| 44. B | |
| 45. B | |
| 46. C | |
| 47. C | |
| 48. C | |
| 49. D | |

5 POINTS EACH

- 50. A
- 51. C
- 52. B
- 53. A
- 54. B

2005 FARM BUSINESS MANAGEMENT EXAM- 5-6-05

Place answers #1- #50 below on BAC K OF SHEET starting with one. Bubble in your "BEST" answer there

1. The total amount of depreciation deducted over an asset's useful life is equal to:
a) cost b) cost plus salvage value c) book value d) salvage value
2. The basis of a futures contract reflects:
a) time difference b) location differences c) quality differences d) all the above
3. At low interest rates:
a) the demand for credit is low b) the demand for credit is high
c) the quantity of credit demanded is low d) the quantity of credit demanded is high
4. When financial assets like stock are combined together into a portfolio (like a mutual fund) the risk of the portfolio is decreased because of:
a) a smaller commission b) leverage c) diversification d) economies of size
5. A series of periodic loan payments is an example of a/an:
a) fixed future value b) net present value c) annuity d) none of these choices
6. The goal of income tax management should be:
a) maximize after-tax cash flow b) maximize after-tax profit
c) minimize taxes paid d) minimize after-tax liability
7. A loan which is repaid from the assets originally purchased with the loan is a:
a) lease b) balloon loan c) discount loan d) self-liquidating loan
8. The return to a farm's unpaid labor, management and equity is:
a) maximum profit b) net farm income c) return to capital d) change in farm's net worth
9. Which of the following is NOT included in the revenue section of an income statement?
a) an inventory increase b) an increase in the market value of land
c) a gain on the sale of breeding stock d) an increase in accounts receivable
10. Profit maximization occurs when marginal revenue is equal to:
a) average variable cost b) average total cost c) marginal cost d) total cost
11. Hedgers and speculators in the futures market differ in that...
a) speculators always want the price to decrease b) hedgers are more at risk
c) speculators do not produce a product to sell d) All the above (A B & C)
12. Speculators in the futures market...
a) cause confusion in the market b) accept the price risk the hedgers are seeking to avoid
c) make a profit if prices increase d) should not be allowed
13. All of the following are said to be inelastic with regard to demand except...
a) pork b) salt c) gasoline d) sugar
14. The total quantity of goods and services produced is called a....
a) supply b) demand c) produce d) none of the choices listed
15. A plan that projects expected returns and costs is a
a) supply and demand curve b) budget c) consumption plan d) hedge
16. A producer most often uses a cash flow statement to...
a) estimate the amount of credit needed and when it is needed
b) determine equipment needs
c) estimate potential cash overflow
d) estimate when debt payments will come due

17. If the government allowed no immigration to this country and controlled illegal immigration, the effect on agriculture would probably be.....
- a) a shortage of agricultural labor
 - b) an increase in the hourly wages for agricultural workers
 - c) an increase in the total cost of labor
 - d) all the above (A B & C)
18. Which is an advantage of leasing land over land ownership?
- a) more capital is available for others to use
 - b) the risk of decreasing land prices is avoided
 - c) farm size can be varied easily
 - d) all the above (A B & C)
19. A business that is owned and controlled by one person is a:
- a) corporation
 - b) limited corporation
 - c) sole proprietorship
 - d) partnership
20. The ability of a business to pay off liabilities without disrupting business is termed:
- a) solidity
 - b) liquidity
 - c) feasibility
 - d) elasticity
21. A cash flow budget projected for the next year can provide information on:
- a) projected borrowing requirements and repayment ability
 - b) return to the farm operator's labor and management
 - c) net worth of the farm business
 - d) rate of return on the farm investment
22. A business is "solvent" if:
- a) total receipts exceed total expenditures
 - b) total debt exceeds total equity
 - c) total sales exceed total cash expenses
 - d) total assets exceed total liabilities
23. Good tax management is:
- a) paying no more than the legal minimum
 - b) evading the payment of tax owed
 - c) paying a little more than you actually owed
 - d) failing to report all your income
24. Which term is used to describe a "Civil Wrong" which causes damages to another person or their property?
- a) warrant liability
 - b) assault liability
 - c) tort liability
 - d) negligent liability
25. What is the role of the Judicial system in regard to laws affecting agricultural businesses?
- a) interpreting the meaning of laws
 - b) enforcing laws
 - c) debating and establishing laws
 - d) all of the above
26. Which of the following must be proven to sue another person for negligence?
- a) damages were suffered
 - b) damages were caused by another person's actions
 - c) other person's actions were not reasonable
 - d) all of the above
27. The advantage of making out a will are:
- a) guardians can be named for surviving children
 - b) each member of the family can be provided for as you see fit
 - c) prevention of all estate taxes
 - d) both A & B

28. How many acres are in the SW-1/4 of the NE-1/4 of a section of land?
a) 160 acres b) 40 acres c) 20 acres d) 10 acres
29. Fuel tax is an example of a:
a) property tax b) progressive tax c) vender tax d) use tax
30. Income taxes which are assessed at a higher percentage on higher income is called:
a) flat b) progressive c) regressive d) natural
31. A tool used in analyzing only changes in the farm operations and the potential change in net income is called:
a) cash flow projection b) enterprise budget c) total farm budget d) partial budget
32. Statement of projected costs and returned associated with one production process, usually for one production period called:
a) partial budget b) enterprise budget c) total farm budget d) cash flow projection
33. Which of the following is considered to be a fixed cost?
a) feed purchased
b) machinery repairs
c) hired seasonal labor
d) depreciation on machinery
34. If a farm business decided that renting land on shares of production rather than for cash results in:
a) less risk for the landlord and more risk for the tenant
b) more risk for the landlord and less risk for the tenant
c) less risk for both the landlord and the tenant
d) more risk for both the landlord and the tenant
35. As a farmer plants more acres of the same crop, which of the following costs is least likely to change?
a) total variable cost
b) average variable costs per acre
c) average fixed costs per acre
d) average total costs per acre
36. When an increase in the level of production of one enterprise causes a reduction in the level of another enterprise, these two enterprises are said to be:
a) independent b) supplementary c) complementary d) competitive
37. When considering the production information for an enterprise, the farm business is trying to get the maximum returns above variable costs. As a farm management analyst, you should recommend that the farm business produce where:
a) marginal revenue is equal to average variable cost
b) average total cost is equal to average total revenue
c) marginal cost is equal to average total revenue
d) marginal cost is equal to marginal revenue
38. Enterprise accounting:
a) involves keeping records of receipts and expenses of each individual product or class of products
b) separates taxable income from nontaxable income
c) is required for income tax purposes
d) differentiates between the value of the operator's labor, management, and capital
39. A physical and financial plan for the entire farm business for a specific period of time is called the:
a) enterprise budget
b) cash flow projection
c) total farm budget
d) partial budget

40. Which of the following is considered to be a variable cost?
- a) real estate taxes
 - b) depreciation on machinery
 - c) machinery fuel, lube, and repairs
 - d) personal property taxes
41. The majority of local government revenue comes from:
- a) income tax
 - b) sales tax
 - c) inheritance tax
 - d) property tax
42. Repayment capacity is best measured by the:
- a) enterprise budget
 - b) projected cash flow statement
 - c) profit and loss statement
 - d) check book
43. Which of the following forms of business organizations would NOT have a liability shield to protect the owner's personal property?
- a) general partnership
 - b) limited liability company
 - c) sub-chapter S corporation
 - d) corporation
44. A written agreement by which an owner of property transfers title to someone for the benefit of beneficiaries is a:
- a) trust
 - b) partnership
 - c) corporation
 - d) sole proprietorship
45. When preparing an annual budget for a corn production enterprise, land ownership costs are considered to be:
- a) variable cost
 - b) depreciable cost
 - c) operating cost
 - d) fixed cost
46. When the size of the soybean harvest exceeds locally available farm and elevator storage, what usually happens to the basis?
- a) narrows
 - b) widens
 - c) goes out of existence
 - d) usually the same all year long
47. A decrease in the value of the U. S. dollar relative to the currency of other countries should result in:
- a) more costly imports to the U.S.
 - b) less costly imports to the U.S.
 - c) decreased U.S. exports
 - d) no effect on imports or exports
48. The most important aspect of an automobile insurance policy is the:
- a) accidental death and disability section
 - b) collision section
 - c) comprehensive sections
 - d) liability section
49. It is profitable for a farmer to borrow money to expand his/her farm business when the borrowed money:
- a) will increase volume of business
 - b) can improve the level of production
 - c) can be secured at a low interest rate
 - d) returns more than the cost of borrowing money

50. The Federal government relies mainly on the _____ tax for its revenue.
- a) income tax
 - b) sales tax
 - c) inheritance tax
 - d) property tax

FBM Problem Solving- follows the above exam and place the following “BEST” answers

A \$80,000 loan amortized at 9% interest for 10 years has annual payments of \$12,465.61. Use this information to answer #51.

51. How much total interest is paid over the life of the loan?
 a) \$7,200 b) \$44,656 c) \$72,000 d) \$124,656
52. How many square feet in one acre of land?
 a) 5,280 b) 12,250 c) 43,560 d) 100,000
53. When buying a cord of wood it measures _____
 a) 2' x 4' x 4' b) 4' x 4' x 4' c) 4' x 4' x 8' d) 4' x 8' x 8'

Income Statement Analysis for Muskingum Forestry Consulting. Use data for questions #54 - #57

Income from timber sales.....	\$34,000
Income from timber cruising.....	9,500
Income from land management.....	28,900
Building rent.....	6,800
Equipment rent.....	1,100
Increase in inventory of supplies.....	7,000
Hired labor expenses.....	32,000
Cash operating expenses.....	900
Machinery depreciation.....	900

54. Total of the gross cash income for this business?
 a) \$51,459 b) \$31,600 c) \$72,400 d) \$40,800
55. Total net cash income for this business is?
 a) \$72,400 b) \$31,600 c) \$40,800 d) \$37,700
56. What is the net income for this business?
 a) \$37,700 b) \$31,600 c) \$39,500 d) \$23,700
57. If the owner worked in this business for 45 hours per week for 50 weeks, what would be the return per for his work?
 a) \$13.32 b) \$16.76 c) \$19.11 d) \$13.45

Use data below for questions # 58 - # 61

Break-Even Volume and Profits at Different Prices

Price	Unit demanded needed to break even	Expected unit demand at given price	Total revenue P X Q	Total costs*	Profit
\$14	7,500	7,100	99,400	101,000	-\$1,600
\$16	5,000	6,700	107,200	97,000	\$10,200
\$18	3,750	6,000	108,000	90,000	\$18,000
\$20	3,000	4,200	84,000	72,000	\$12,000
\$22	2,500	2,300	50,600	53,000	-\$2,400

*assumes fixed costs of \$30,000 and constant variable cost of \$10

69. Craig owns current assets of:
 a) \$556,500 b) \$400,000 c) \$3,000 d) \$500 e) \$56,500
70. Craig owes current liabilities of:
 a) \$253,000 b) \$225,000 c) \$6,000 d) \$16,000 e) \$9,000

Question #71 - #74- will use data from the Molly Caren Farm Net Worth Statement

ASSETS-

Current Farm Assets..... \$50,000
 Intermediate Farm Assets40,000
 Long Term Assets.....80,000

LIABILITIES-

Current Farm Liabilities.....\$20,000
 Intermediate Farm Liabilities.....8,000
 Long Term Liabilities.....110,000

71. Total of assets for Molly Caren Farm is:
 a) \$170,000 b) \$138,000 c) \$308,000 d) \$190,000
72. Total of all liabilities for Molly Caren Farm is:
 a) \$190,000 b) \$138,000 c) \$120,000 d) \$118,000
73. What is the total farm net worth?
 a) \$32,000 b) \$1,500 c) \$1,200 d) \$26,00
74. If you were the agricultural lending officer for Huntington Bank and the farm manager of Molly Caren Farm came to you with the above balance sheet and ask for the maximum amount that Huntington Bank could lend you, what would be your answer. (keep in mind Huntington Bank will only loan up to 70% of the net worth for any farm loan)
 a) \$19,000 b) \$22,400 c) \$26,300 d) \$18,750 **No answer**
75. A feed dealer makes a credit charge of 1.5% monthly on all bills not paid by the 10th of the month. The annual percentage interest rate would be:
 a) 6% b) 8% c) 12% d) 18%
76. Your farming operation has sales of \$600,000, operating expenses of \$500,000, opening inventory of \$400,000 and a closing inventory of \$320,000. What is the net farm income from your operation?
 a) \$20,000 b) \$80,000 c) \$100,000 d) \$180,000

Use data below to figure problems #77 & #78

G.D. Isler has a load of 175 crossbred market hogs weighing 250# each. Based on the below market price to the four regional Ohio and the delivery cost for the load, help G. D. Isler decide how to market the hogs.

Columbus is paying..... 52 cents/pound.....delivery cost is \$385 for the load
 Hillsboro is paying.....49 cents/pound.....delivery cost is \$425 for the load
 Kidron is paying47 cents/pound.....delivery cost is \$575 for the load
 Marion is paying.....48 cents/pound.....delivery cost is \$190 for the load

77. G. D. should sell his hogs to what terminal market?
 a) Columbus b) Hillsboro c) Kidron d) Marion
78. His break even price is 42 cents per pound. What will his profit be if the selling price is 51 cents/pound?
 a) \$3,888.00 b) \$3,937.50 c) \$4,015.50 d) \$4,057.50
79. When Amy Smith sold her crossbred steer she received \$1,250. After all costs were figured she had total expenses of \$975. The percent of net return realized was_____. (nearest whole %)
 a) 12% b) 20% c) 28% d) 31%
80. Billie Joe has 8,000 ten-inch hanging baskets to fill with soil. How much will her per-unit cost of soil be if each bag of soil costs \$25 and each bag will fill 49 ten-inch baskets?
 a) \$0.49 b) \$0.63 c) \$0.51 d) \$0.90

81. Rounded to the nearest whole dollar, what will be the total soil costs for the 8,000 baskets?
 a) \$3,902 b) \$4,233 c) \$4,082 d) \$3,899
82. If you own the East half of the Northwest quarter of section #5, how many acres do you own?
 a) 80 b) 160 c) 40 d) 320
83. Depreciation expense for a new tractor is \$15,000 per year. You use the tractor 500 hours in the first year with 350 hours on your corn enterprise, 100 hours on soybeans and 50 hours for hay. How much of the depreciation expenses should be allocated to the corn enterprise if hours determine the allocation?
 a) \$15,000 b) \$10,500 c) \$4,500 d) \$3,000
84. You just bought a farm lot to build a new home for your family and paid \$20,000 for the land. If it increases by 5% every year, what will be the value of the land at the end of two years?
 a) 421,000 b) \$22,000 c) \$22,050 d) \$45,000
85. What would be net capital ratio, using the below data ?
 \$50,000 current assets, \$150,000 long term assets, \$30,000 current liabilities and \$50,000 long term liabilities
 a) 3.0 b) 2.5 c) 1.67 d) 1.5
86. How many pounds of 48% soybean meal must be mixed with 11% protein wheat to make a ton (2,000#) of 17% protein feed?
 a) 324 # b) 368# c) 1632# d) 1676#
87. The feedlot operator at Ohio Feedlot Inc. purchased a pen of 117 feeder steers with an average weight of 711# and sells them at an average weight of 1081#. Total feed cost for the pen was \$24,329. Figure the feed cost per pound of gain:
 a) \$0.440 b) \$0.515 c) \$0.562 d) \$0.649
88. Joe Producer sells 13 feeder steers for \$84/cwt (100#) with the average weight per steer of 752#. With the sales commission set at 3% and the yardage fee of \$2.00 per head, what is the net amount received for the pen of steers?
 a) \$6,027.60 b) \$6,028.36 c) \$7,049.62 d) \$7,939.48
89. A township is six miles square and includes:
 a) 6 sections b) 36 sections c) 40 sections d) 160 sections
90. On March 1, 2004 you borrowed \$3,000. Four months later, July 1, 2004 you repaid the \$3,000 borrowed along with the \$65.00 interest. What was your annual rate of interest?
 a) 6.0 % b) 6.5% c) 7.0% d) 7.5%

END OF EXAM.....recheck work

-2005 Ohio Farm Business Management CDE Exam

EXAM KEY- 2005 OHIO FARM BUSINESS MANAGEMENT CDE EXAM- 5-6-05

1-A 1-B
2-D 2-C
3-D 3-C
4-C 4-C
5-C 5-B
6-B 6-A
7-D 7-B
8-B 8-B
9-B 9-C
10-C 10-D
11-C 11-A
12-B 12-B
13-A 13-B
14-A 14-C
15-B 15-D
16-A 16-B
17-D 17-D
18-D 18-A
19-C 19-E
20-B 20-D
21-A 21-A
22-D 22-B
23-A 23-A
24-C 24-B
25-A 25-D
26-D 26-A
27-D 27-A
28-B 28-B
29-D 29-C
30-B 30-C
31-D 31-C
32-B 32-A
33-D 33-B
34-B 34-C
35-B 35-B
36-D 36-A
37-D 37-C
38-A 38-D
39-C 39-B
40-C 40-B
41-D
42-B
43-A
44-A
45-D
46-B
47-B
48-D
49-D
50-A

