

1. The area of financial analysis used to analyze a farm's overall ability to cover short-term obligations is
  - a. Profitability
  - b. Liquidity**
  - c. Solvency
  - d. Efficiency
2. Which is a measure of liquidity?
  - a. Debt to Equity ratio
  - b. Return on Equity
  - c. Operating Expense Ratio
  - d. Current Ratio**
3. A cattle feeder needs to buy corn in the future. They would like to set a maximum purchase price, but leave an opportunity to buy at a lower price if the opportunity presents itself. Which method should they use to mitigate risk, but still have some upside price potential?
  - a. Buy a futures contract
  - b. Sell a futures contract
  - c. Buy a call option**
  - d. Buy a put option
4. Hedging feed corn inputs on a livestock operation by buying futures contracts
  - a. Guarantees profitability
  - b. Creates a ceiling, with potentially lower input costs
  - c. Eliminates basis risk
  - d. Eliminates price risk**
5. Futures contracts for corn, wheat, and soybeans are sold in \_\_\_\_\_.
  - a. 10,000-bushel units
  - b. 5,000-bushel units**
  - c. 50,000-bushel units

- d. Any size the seller and buyer agree upon

6. Which of the following does not have a Futures contract on the Chicago Mercantile Exchange?

- a. Lumber
- b. Rye**
- c. Urea
- d. Soybean Oil

7. Which of the following could be either expensed or capitalized?

- a. Seed corn
- b. Tractor engine overhaul**
- c. Hay for the following year
- d. Custom harvesting

8. An example of "debt restructuring" that would improve a farmer's cash flow in the short run would be:

- a. Making payments on amortized loans with funds borrowed on a line of operating credit.
- b. consolidating several small loans into one larger one.
- c. shortening the repayment period of a loan from 10 years to 3 years.
- d. None of the above

9. An asset worth \$100,000 today is expected to increase in value at 8 percent annually. What will it be worth in 9 years? (Round to the nearest dollar)

- a. \$184,662
- b. \$223,714
- c. \$199,900**
- d. \$248,000

10. Which type of lease agreement results in the least risk for the landowner?

- a. fixed cash**
- b. flexible cash
- c. crop share
- d. custom farming

11. Land values have increased over the last few decades because

- Interest rates have declined
- The value of production from the land has increased
- The value of the US Dollar has decreased
- All of the above

12. What are the monthly payments on a 30-year, \$1,000,000 loan with interest at 6% APR?

- \$5,995.51**
- \$6,581.75
- \$6,853.62
- \$5,764.12

13. The balance sheet is best described as:

- Assets = Liabilities – Debt
- Assets = Debt + Equity**
- Debt = Assets + Equity
- Equity = Debt + Assets

14. Intermediate-term loans are generally defined as loans for

- Less than 1 year
- 1–5 years**
- 5 or more years
- No due date

15. An agribusiness firm may choose to lease a capital asset because it

- Allows for a shorter depreciation schedule
- Can deduct the full leasing expenses**
- Transfers ownership at the end of the lease to the lessee
- All of the above

16. A manager may raise funds needed to operate an agribusiness from

- a. Investment by owners
- b. Borrowing
- c. Funds generated by profits and retained in the business
- d. All of the above**

17. Which of the following purchases would best be financed by an operating line of credit?

- a. Payroll
- b. Prepaid fertilizer
- c. Tractor repairs
- d. All of the above**

18. A mission statement

- a. Is a detailed document about who is involved with the firm.
- b. Guides the direction for a firm and describes the destination.**
- c. Defines the actions needed to achieve the firm's goals.
- d. All of the above

19. Tactical management involves

- a. Long-term planning by top management
- b. Specific plans on how a firm can achieve short-term objectives**
- c. Setting measurable goals for the firm
- d. All of the above

20. A cash flow statement is used to

- a. Determine the profitability of a farm.
- b. Track farm depreciation.
- c. Help lenders determine the peak borrowing needs of an operating line.**
- d. Identify changes in net worth.

21. Which of the following is not one of the basic financial statements?

- a. Income Statement
- b. Statement of Cash Flow
- c. State of Owner Equity
- d. None of the above**

22. An example of seasonality in agricultural price fluctuations is

- a. Lower dairy prices during the spring flush**
- b. Higher corn prices due to a massive drought
- c. Higher soybean prices due to late planting from excessive spring rains
- d. Lower wheat prices due to a bumper crop

23. Which type of business would distribute patronage refunds?

- a. individual proprietorship
- b. cooperative**
- c. limited partnership
- d. corporation

24. Which of the following is a noncash item on a farm income statement?

- a. Depreciation
- b. Interest**
- c. Opportunity cost
- d. All are noncash costs

25. When the value of the US dollar decreases against other foreign currencies, the cost of US agricultural exports to its trading partners

- a. Increases
- b. Decreases**
- c. Stays the same
- d. Depends on shipping rates

26. According to the 2022 USDA Agricultural Census, the number of farms and ranches in the US is roughly

- a. 1.1 million
- b. 1.9 million**

- c. 2.5 million
- d. 3.1 million

27. The USDA counts anyone with more than \_\_\_\_\_ of sales a farmer.

- a. \$2,500
- b. \$5,000
- c. \$1,000**
- d. \$10,000

28. Which is the most popular type of farm lease?

- a. Cash**
- b. Share
- c. Share of Gross Income
- d. All are equally popular.

29. Which of the following is an efficiency measure?

- a. Pound of milk per cow**
- b. Return on Equity
- c. Current ratio
- d. Depreciation Schedule

30. If the basis for corn changes from -\$ .15 to -\$ .25, the basis has

- a. Strengthened
- b. Weakened**
- c. Narrowed
- d. Increased

31. Shortening the duration of a loan

- a. Lowers the amount of interest paid.**
- b. Lowers the amount of principal paid.
- c. Lowers the payment per period.
- d. Lowers the down payment.

32. Which of the following does not mitigate Price risk?

- a. A cash sale
- b. A hedge-arrive contract
- c. A forward contract
- d. Basis contract**

33. Section 179 allows farms to

- a. Expense off depreciable assets.**
- b. Exchange like assets without a taxable event.
- c. Expanded livestock permitting numbers over 1,000.

- d. Declare a structured bankruptcy.

34. Which item should not be included in a farm's income from operation calculation on an income statement?

- a. The sale of grain
- b. Fuel costs
- c. Labor expenses
- d. All should be included**

35. The new crop futures month for corn is considered to be

- a. September
- b. October
- c. December**
- d. May

36. Which item would be included in accrual accounting that would not be included in a cash accounting income statement, assuming both follow a calendar year?

- a. Depreciation
- b. Interest on an annual payment scheduled for the following year**
- c. Grain sales in the last week of December
- d. The calves in bred cattle that are due in the following spring

37. Tariffs

- a. Promote free trade
- b. Improve export markets for US farmers
- c. Benefit Consumers of foreign goods
- d. Create trade wars**

38. Which of the following forms of business organization would NOT have a liability shield to protect the owner's personal property?

- a. Sole proprietorship**
- b. limited liability company
- c. sub-chapter S corporation
- d. corporation

39. Fed cattle should continue to be fed until what economic point?

- a. The added gain maximized gross revenue per animal
- b. The added feed is less than the price of beef on a per-pound basis.
- c. The added gains return more than the added cost of feed**
- d. The price per pound starts going down on a per-head basis.

40. If an individual takes out a \$100,000 loan with equal yearly principal payments at 5% interest on the unpaid balance for 10 years, which of the following statements is not correct?

- a. The first-year interest payment will be \$10,000
- b. The second-year principal payment will be \$9,000**
- c. The third year principal and interest payment will be \$14,000
- d. The tenth-year payment of principal and interest will be \$10,500

The last 10 questions are **true** or **false**

- 41. In the long run, most farm costs are variable.
- 42. An example of perfect competition is a farmer producing soybeans for the commodity market.**
- 43. Interest is a cash expense.**
- 44. Steer calves are depreciable assets
- 45. Most farm subsidies go toward crop production, not livestock production.**
- 46. Basis is factored into both futures and forward contracts prices.
- 47. Cash accounting is mostly used for tax preparation for farmers.**
- 48. Standard crop insurance coverage caps out at 85%**
- 49. A section of land is any parcel over 40 acres.
- 50. Year-round hog production has greatly weakened variations in the hog price cycle.**