PART I. Multiple Choice. Indicate the best answer. (3 points each)

1. We discussed the aspect of establishing S.M.A.R.T. goals. Examples of S.M.A.R.T. goals would include:
   a. selective, time constrained, much improved.
   b. measurable, assisting, routine.
   c. realistic, measurable, time constrained.
   d. routine, measurable, specific.
   e. All of the above fit S.M.A.R.T. goals we discussed.
   f. None of the above fit S.M.A.R.T. goals we discussed.

2. An important component of business management is development of a mission statement. A mission statement:
   a. outlines all of your detailed crop production plans such as level of fertilizer to use, etc.
   b. is a short statement of why the business exists.
   c. can only be established after you have established your goals.
   d. can only be established after you have selected enterprises for the farm.
   e. all the above.
   f. a and b above relate to a mission statement.

3. In lab 1 you looked at strategic management and tactical management. Strategic management is:
   a. Determining the acres of corn to produce next year.
   b. Charting the overall long term course of the business.
   c. Determining the number of replacement dairy heifers needed.
   d. Determining if you will cash rent the neighboring 80 acres next year.
   e. None of the above are strategic management functions.

4. An example of a complimentary goal (relationship) would be:
   a. You have 300 acres of cropland and if you raise more corn you need to raise less soybeans.
   b. You have $200,000 of capital (money) available and if you buy some equipment you cannot expand the cattle feeding operation.
   c. You have 3,500 hours of labor available and if you use more in livestock production you need to cut back on crop production.
   d. All the above are examples of a complimentary relationship.
   e. None of the above are examples of a complimentary relationship.

5. Steps to decision making would include:
   a. Define the problem.
   b. Analysis of alternatives.
   c. Accept the responsibility.
   d. Evaluate the outcome over time.
   f. All the above are steps to decision making.

6. At the beginning of the semester we talked about the three C's. These were:
   a. communication, customers satisfaction, critical analysis.
   b. coordination, cooperation, communication.
   c. communication, coordination, cash flow.
   d. communication, consumption, cooperation.
   e. none of the above.
7. We talked about some components of farm business management. These could include:
   a. family goals and business goals.
   b. records and/or budgets.
   c. tax/business structure.
   d. economic principles.
   e. all of the above.
   f. none of the above.

8. Which of the following best describes a “particular” profit and loss statement?
   a. it shows farm income and expenses over the last accounting period.
   b. it shows the level of loan principle payments you made over a period of time.
   c. it shows assets and liabilities at a point in time.
   d. it shows business change in net worth for the last accounting period.
   e. None of the above describes a “particular” profit and loss statement.

9. Types of decisions you would make in a farm business setting would include:
   a. repair versus replace the equipment.
   b. are you going to change the size of the operation.
   c. types of records to use.
   d. what livestock health management strategies to use.
   e. types of crops to produce.
   f. all of the above.

10. The degree to which a business’ total assets adequately cover or exceed the total liabilities is referred to as:
    a. bankruptcy.
    b. solvency.
    c. profitability.
    d. net worth.
    e. liquidity.
    f. none of the above.

11. You prepare a balance sheet on December 31 of each year. An account receivable on the balance sheet is one where:
    a. it shows the amount of interest you paid this year for a loan which was due last year.
    b. it represents an account you paid this year.
    c. you missed accounting for the amount of interest last year so you include it this year.
    d. it reflects the total cash interest you paid on a loan this year.
    e. None of the above.

12. Which of the following is an example of a long term asset?
    a. Total liability on a 20 year farm loan.
    b. Total liability on an 6 year building loan.
    c. Value of land.
    d. The money your neighbor owes you for a 4-H steer she purchased.
    e. None of the above.

13. Which of the following would appear on a particular balance sheet?
    a. Principal payments for land purchases.
    b. The value of grain you sold out of inventory.
    c. The interest you paid on a land loan.
    d. The value of land you own.
    e. Value for which you sold land.
The next five questions (14-18) are based on the following information for Cy Acres Farm Records.

Net Farm Income $40,000
Intermediate and Fixed liabilities $275,000
Total liabilities $300,000
Current assets $100,000
Total assets $500,000
Current liabilities $25,000

14. What is Cy's debt-to-asset (debt/asset) ratio?
   a. 1.67
   b. .55
   c. .60
   d. .75
   e. None of the above.

15. What is Cy's working capital?
   a. $200,000
   b. $125,000
   c. $75,000
   d. $40,000
   e. $500,000
   f. None of the above.

16. What is CY’s current ratio? (As calculated for Twin Pine Farm in class and in the text.)
   a. .33
   b. 2.0
   c. 1.67
   d. 4.0
   e. None of the above.

17. What is Cy's equity to asset (net worth) ratio?
   a. .60
   b. .40
   c. 1.67
   d. 1.25
   e. 2.00
   f. None of the above.

18. Is Cy solvent?
   a. Yes
   b. No
   c. Can't determine with the information provided.

19. In preparing a balance sheet it is necessary to place a value on your assets. Methods for asset evaluation would include:
   a. purchase cost, cost less depreciation, two times the market value.
   b. cost less depreciation, purchase cost, net market price.
   c. income capitalization, cost less depreciation, one half the purchase cost.
   d. replacement cost less depreciation, purchase cost, the value your neighbor uses.
   e. a and c above.
20. Reasons why you would keep records would include:
   a. a basis for comparison with how you have done over time.
   b. a basis for comparison with similar types of farming operations.
   c. a basis for comparison with your goals.
   d. record results can be used for planning for the future.
   e. all are reasons for keeping records.

21. The prime purpose of records should be to help you in locating the strong and weak points of the business.
   a. to position you where you can tell your landlord that you have records.
   b. to satisfy the Internal Revenue Service on your taxes.
   c. to be able to show your neighbor how well you did.

22. If a business has a debt-asset ratio which is greater than one (the way it was discussed in class):
   a. current debt exceed current assets
   b. liabilities exceed assets
   c. the working capital is positive
   d. equity exceeds debt
   e. current liabilities exceed current assets

23. When evaluating the liquidity of a farm business which is applying for a loan, a lender would be most likely to look at:
   a. the level of all assets and all liabilities.
   b. the net cash farm income of the farm business.
   c. the level of current liabilities and current assets.
   d. if the value for soybeans in storage was reasonable.
   e. your solvency.

The next three questions (24-26) are based on the following information. Your neighbor "Hawkeye Harvey" has purchased a tractor for his crop operation. He heard that you were in Econ 330 and that depreciation methods had been discussed. Being a "Hawkeye" he had never heard of depreciation or any other business thing. He was wondering how much depreciation he would calculate for his business records. He gave the following information on the tractor.

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>$60,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of useful life</td>
<td>6 years</td>
</tr>
<tr>
<td>Salvage value</td>
<td>$20,000</td>
</tr>
<tr>
<td>Purchase date</td>
<td>January 1</td>
</tr>
</tbody>
</table>

14. What is the amount of depreciation "Hawkeye Harvey" would claim in year 6 using the straight line method of depreciation?
   a. $10,000.20
   b. $6,666.67
   c. $3,333.33
   d. There is not any depreciation remaining for year 6.
   e. None of the above.

25. What is the amount of declining balance depreciation "Hawkeye Harvey" would claim in the first year using the double declining balance method of depreciation?
   a. $19,999.80
   b. $13,333.20
   c. $6,666.00
   d. $20,000
   e. None of the above.
26. What is the amount of depreciation "Hawkeye Harvey" would claim in the third year using the sum-of-the-years-digits method?  
   a. $11,428.57  
   b. $3,809.52  
   c. $16,000.00  
   d. $7,619.05  
   e. $8,000.00  
   f. None of the above.

The next four questions (27-29) are based on the following information. Your neighbor "Cy Bernet" would like to pull together some information for a Net Farm Income Statement. She has the following information.

- Cash from income $200,000
- Beginning Inventory Crops in Storage $60,000
- Ending Inventory Crops in Storage $70,000
- Cash farm expenses $210,000
- Beginning Inventory Market Livestock $80,000
- Ending Inventory Market Livestock $75,000

27. What is the Cash Net Farm Income for "Cy Bernet"?  
   a. $210,000  
   b. $10,000  
   c. -$10,000  
   d. $200,000  
   e. None of the above.

28. How much did "Cy Bernet's" inventory of market livestock change during the year?  
   a. Increased by $5,000.  
   b. Decreased by $5,000.  
   c. Decreased by $80,000.  
   d. Increased by $75,000.  
   e. None of the above.

29. What is the Net Farm Income from operations for "Cy Bernet"?  
   a. -$5,000  
   b. $15,000  
   c. $10,000  
   d. -$15,000  
   e. None of the above.

30. If "Cy Bernet's" net farm income from operations was $30,000 (not the correct answer) before the following inventory adjustments, what would be "Cy Bernet's" net farm income from operations be after the inventory adjustments? (Note: This is not related to the information above, only consider this information.)

<table>
<thead>
<tr>
<th>Inventory Adjustment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial feed on hand end of year</td>
<td>$6,000</td>
</tr>
<tr>
<td>Commercial feed on hand beginning of year</td>
<td>$5,000</td>
</tr>
<tr>
<td>Accounts payable end of year</td>
<td>$10,000</td>
</tr>
<tr>
<td>Accounts payable beginning of year</td>
<td>$7,000</td>
</tr>
</tbody>
</table>

   a. $27,000  
   b. $32,000  
   c. $28,000  
   d. $33,000  
   e. $26,000  
   f. None of the above.
The following information is for the following four questions (31-33).

"Herkey Hawkeye" is thinking about growing some corn next year. As usual, "Herkey" has no idea what is going on. "Herkey" does get one thing right - that is to ask a "Cyclone" what to do. You help "Herkey Hawkeye" pull together the following information. The corn production information on "Cy's" farm, which "Herkey" will cash rent until the Hawkeyes beat the Cyclones in football (which will be forever!!!). The cash rent contract also indicates that the cash rent will increase by $30.00 per acre per year. You are surprised "Herkey" would sign such a contract but again "Herkey" has no idea what is going on.

<table>
<thead>
<tr>
<th>Pounds of Nitrogen/Per Acre</th>
<th>Bushels of Corn/Per Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>30</td>
<td>120</td>
</tr>
<tr>
<td>60</td>
<td>130</td>
</tr>
<tr>
<td>90</td>
<td>135</td>
</tr>
<tr>
<td>120</td>
<td>138</td>
</tr>
<tr>
<td>150</td>
<td>140</td>
</tr>
<tr>
<td>180</td>
<td>141</td>
</tr>
<tr>
<td>210</td>
<td>135</td>
</tr>
</tbody>
</table>

31. If the cost of nitrogen is 30 cents per pound and the corn price is $2.00 per bushel, how much nitrogen should "Herkey" apply to maximize profits?
   a. 60 pounds.
   b. 90 pounds.
   c. 120 pounds.
   d. 150 pounds.
   e. 180 pounds.

32. What is the value of the increased corn yield for the 30 pounds of nitrogen as "Herkey" moves from 30 to 60 pounds of nitrogen? (The corn price is $2.00 per bushel).
   a. $260.00
   b. $10.00
   c. $20.00
   d. $9.00
   e. None of the above.

33. How low would the cost of nitrogen need to get before "Herkey" would apply 180 pounds of nitrogen. (The price of corn is $2.00 per bushed).
   a. "Herkey" should never apply 180 pounds of nitrogen even if it is free.
   b. At 6 cents per pound "Herkey" should apply 180 pounds.
   c. At 8 cents per pound "Herkey" should apply 180 pounds.
   d. "Herkey" should go to 180 pounds with the price at 20 cents per pound.

Part II. Bonus (2 points)

How do you spell the last name of the instructor of this class?

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"Hebstein"