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Part I: Multiple Choice. 3 points each.

1. Some suggestions for working into a family farm operation would include:
   a. work into the operation as rapidly as possible.
   b. start purchasing the operation right away.
   c. keep an open line of communication.
   d. take over the management responsibilities as soon as you start
   e. all the above

2. A cash flow budget can be used to:
   a. estimate when and how much money will need to be borrowed during the year.
   b. estimate when and how much debt can be repaid during the year.
   c. estimate when excess cash may be available so plans can be made to invest it.
   d. plan your credit needs.
   e. all of the above

3. According to a study by Gary Maas, the following are the most important reasons why people like their jobs or what employees want.
   a. money
   b. benefits
   c. time off
   d. achievement
   e. all of the above

4. As agriculture adjusts and managers need to manage employees, employer efficiency becomes ever more important. Ways of improving labor efficiency would include:
   a. plan a work schedule
   b. provide for full labor utilization
   c. match capital with labor efficiency
   d. all the above
5. As markets develop there will be increasing opportunities for niche markets. These can be used to add value to what is currently being produced. Examples of livestock product niche markets would include:
   a. organic
   b. family producers
   c. animal welfare
   d. location
   e. all the above

6. In livestock production it is important to produce a quality product. Issues of quality are expanding and can include such items as:
   a. leanness, tenderness, taste, freshness
   b. freshness, taste, antibiotic use, animal welfare
   c. taste, tenderness, color, freshness
   d. organic, environmental, taste, tenderness
   e. all the above

7. Three areas of farm business transfer would include:
   a. income, liability insurance, shareholders who sold their shares
   b. assets ownership, shareholders who sold their shares, management
   c. management, asset ownership, income
   d. income, management, shareholders who sold their shares
   e. all the above

8. Agriculture is changing and many managers are now in a position where they need to manage employees. According to the hierarchy of human needs, the most basic need is that of survival. Of the five needs, which need will you not worry about until all other needs are met?
   a. security
   b. acceptance
   c. survival
   d. none of the above

9. When preparing a cash flow budget for 2000 it is important to:
   a. use it to project your profitability.
   b. include depreciation so you know how much cash is needed to replace assets.
   c. include opportunity costs on items of value used on the farm.
   d. consider family living expenses for next year or 2001.
   e. none of the above

10. Which of the following would appear on a cash flow budget for 2000?
    a. The value of feed that was grown in 1999 and fed to livestock in 2000
    c. Inventory change
    d. The trade in value of your traded tractor
    e. none of the above
11. The maximum first year expensing that can be claimed in 2000 by a married couple filing a joint return is:
   a. $19,000
   b. $19,500
   c. $20,000
   d. not limited
   e. none of the above

12. Which of the following would be included on a farm tax return when using the cash accounting method for 2000?
   a. inventory changes
   b. depreciation
   c. fertilizer expense paid in fall 1999 for crop to be planted in 2000
   d. feed purchased and paid for in 1999 which was fed to livestock sold in 2000
   e. none of the above

The following information is for the next 3 questions.

You purchased a combine on April 15, 2000. It cost $100,000. Even at that price it was a real bargain as it has it all: air cooled and warmed seat (leather covered, too!!), TV market reporter, power seats and windows, chrome steps and handles, air conditioning, yield monitor, moisture tester, CD and video player, computer with farm record and budgeting program - it can even tell you when it doesn’t feel well; all in the cab.

13. How much regular MACRS depreciation can be claimed on the combine in 2000 if you need to use mid-quarter convention? Do not expense.
   a. $13,393.00
   b. $18,750.00
   c. $26,250.00
   d. $10,714.00
   e. none of the above

14. How much straight line depreciation can you claim on the combine in 2001? Do not expense, not mid-quarter.
   a. $14,285.71
   b. $20,000.00
   c. $10,000.00
   d. $5,000.00
   e. none of the above

15. How much regular MACRS depreciation can you claim on the combine in 2000? Do not expense, not mid-quarter.
   a. $10,714.00
   b. $12,500.00
   c. $19,133.00
   d. $18,750.00
   e. none of the above
The following information is for the next 3 questions.

You purchased a 4-wheel drive pickup today, April 26, 2000. You have ISU license plates which say "Road Hog". It has it all: wide "mud" tires, high axles, etc., with ladder to get in and out of the "beast", chrome running boards and dual stacks, velvet seat covers (works well when you get in from loading hogs!!!), computer hook-up for market reports, etc. The purchase price was $30,000.

   a. $5,739.90
   b. $2,869.95
   c. $3,486.25
   d. $7,650.00
   e. none of the above

17. How much regular straight line depreciation can be claimed on the pickup in 2000? Do not expense, not mid-quarter.
   a. $6,000.00
   b. $4,285.71
   c. $5,000.00
   d. $3,000.00
   e. none of the above

18. If you use first year expensing (joint return) plus regular MACRS depreciation in 2000, how much first year expensing plus regular MACRS can you claim in 2000? (Joint return filed. Mid-quarter does not apply.)
   a. $21,071.40
   b. $21,650.00
   c. $21,178.54
   d. $21,500.00
   e. none of the above

19. Issues which Dr. Mike Duffy feels will impact the new farm bill would include:
   a. what will happen in the elections this fall.
   b. the general economy.
   c. events in foreign countries.
   d. the agriculture supply and demand situation.
   e. all the above.

20. Dr. Mike Duffy discussed some ideas that are being discussed as possibilities for a new farm program. These included:
    a. an Income Risk Management Account.
    b. increased production of oats as a cover crop.
    c. a reduction in conservation priorities.
    d. a program which reduced level of antibiotic use.
    e. all the above.
21. According to State of Iowa law, a land lease needs to be terminated by:
   a. March 1
   b. July 1
   c. October 1
   d. September 1
   e. December 1

22. According to Tim Fevold, Hertz Farm Management:
   a. over 75 percent of the land in Iowa is farmed by someone who doesn’t own it.
   b. over half of the land in Iowa is farmed by someone that doesn’t own it.
   c. only 25 percent of the land in Iowa is farmed by someone who doesn’t own it.
   d. about 10 percent of the land in Iowa is farmed by someone who doesn’t own it.
   e. none of the above.

23. According to Tim Fevold, the type of lease used most often in Iowa was the:
   a. crop-share lease
   b. cash lease
   c. custom arrangement
   d. modified share lease

24. Some characteristics of a corporation business organization would include:
   a. it can be easier to pool resources
   b. the business continues upon the death of an owner
   c. it can have a problem of double taxation
   d. it is considered as a separate legal entity
   e. all the above

25. Some characteristics of a sole proprietorship business organization would include:
   a. capital of all owners or partners can be pooled
   b. management is shared
   c. the simplicity of establishing the business
   d. liability is limited
   e. all the above
26. You were in a relatively high tax bracket in 2000 as compared to other years and compared to where you expect to be in future years. The maximum tax write-off you can get in 2000 for assets purchased in 2000 is by using (they meet requirements for depreciation under the tax law):
   a. 50% of the MACRS rate
   b. MACRS using the fewest years with first year expensing
   c. straight line over the greatest number of years and first year expensing
   d. MACRS using alternative years
   e. straight line over the greatest number of years possible

27. Yesterday, on April 25, 2000, you traded a tractor you had for ten years for another tractor. The traded tractor was purchased in 1990 for $60,000. It is fully depreciated and you have a remaining depreciation balance "book value" of $0.0 on the traded tractor. The market value of the traded tractor is $35,000. You paid an additional $50,000 cash for the new tractor. The list price on the new tractor was $90,000. What is the tax basis (where you start depreciation) for the new tractor?
   a. $95,000
   b. $85,000
   c. $50,000
   d. $90,000
   e. none of the above

28. A good incentive plan for farm employees should:
   a. shift most price risk to the employee
   b. be based on factors over which the employee has control
   c. be paid only once a year
   d. account for over half of the employee's total compensation
   e. be most advantageous to the employer

Listed below are Federal, State and Social Security tax levels.

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $35,000</td>
<td>15%</td>
</tr>
<tr>
<td>$35,001 and above</td>
<td>28%</td>
</tr>
<tr>
<td>$0 to $10,000</td>
<td>4%</td>
</tr>
<tr>
<td>$10,001 to $25,000</td>
<td>6%</td>
</tr>
<tr>
<td>$25,001 to $45,000</td>
<td>8%</td>
</tr>
<tr>
<td>over $45,001</td>
<td>9%</td>
</tr>
<tr>
<td>Income up to $60,000</td>
<td>15%</td>
</tr>
</tbody>
</table>

29. Given this, how much can you reduce your taxes (Federal and State) and Social Security taxes if you increase your deductible expenses and decrease your taxable income from $36,750 to $36,650 or by $100?
   a. $38
   b. $51
   c. $100
   d. $36
   e. none of the above
30. According to Dr. Mike Duffy, in 1998, approximately what percent of Iowa’s net farm income came from government payments?
   a. 25%
   b. 10%
   c. 50%
   d. 70%
   c

31. Types of credit that William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, discussed included:
   a. back pay on interest
   b. next generation credit
   c. non-refundable credit
   d. roll-over interest credit
   e. none of the above
   d

32. According to William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, the four C’s of credit are:
   a. cash flow, collateral, cost control, capacity
   b. capacity, cost control, calculated profit, and capacity
   c. collateral, calculated profit, character, capacity
   d. collateral, character, cash flow, capacity
   e. cash flow, collateral, character, cost control
   d

33. William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, discussed items that they like to see and discuss with you when you apply for a loan. Items included:
   a. three years of financial statements
   b. a plan for the next 3-5 years
   c. a list of your long-term goals
   d. three years of tax returns
   e. he talked about all the above
   e

34. (3 pts.) We wish you all the very best. For those graduating, go for it!!! For those returning, have a great and eventful summer!
   a. I will do that!
   b. I do not plan on doing that.
   c. “b” is not an acceptable answer.
   a

The Old Sage Says:
There are two ways to get to the top of an oak tree: Catch that first limb and climb....or, find a good healthy acorn, sit on it and wait.

The important thing about your lot in life is whether you use it for parking or building.