DO NOT WRITE IN THIS AREA!

Total points possible  735
Total points received
Course %
Course grade

START HERE

Part I: Multiple Choice. 3 points each.

1. Steps to preparing a cash flow budget would include:
   a. taking an inventory of the operation.
   b. estimating livestock sales.
   c. estimating crop expenses.
   d. estimating crop sales.
   (c) All of the above are steps to a cash flow.

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.
   (c) all of the above

3. Which of the following would appear on a cash flow budget for 2001?
   a. The value of feed that was grown in 2000 and fed to livestock in 2001.
   c. The value of the inventory change.
   d. The cash you received for a tractor you sold.
   e. none of the above

4. Which of the following would be included on a farm tax return when using the cash accounting method for 2001?
   a. income from grain sales in 2001
   b. depreciation
   c. seed expense paid in 2001 for crop that was planted in 2000
   d. all of the above
   e. none of the above
The following information is for the next 4 questions. (Information in tables provided may be helpful.)

You purchased a 4-wheel drive pickup today, April 25, 2001. 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 with monitor for market reports, etc. The purchase price was $32,000.

5. How much regular MACRS depreciation can be claimed on the pickup in 2001? Do not expense, not mid-quarter.
   a. $4,800.00
   b. $4,500.00
   c. $3,428.48
   d. $3,000.00
   e. none of the above

6. How much straight line depreciation can be claimed on the pickup in 2001? Do not expense, not mid-quarter.
   a. $6,400.00
   b. $3,200.00
   c. $4,571.43
   d. $2,285.71
   e. none of the above

7. If you use first year expensing (joint return) plus regular MACRS depreciation in 2001, how much first year expensing plus regular MACRS can you claim in 2001? (Joint return filed. Mid-quarter does not apply.)
   a. $24,857.12
   b. $25,200.00
   c. $20,000.00
   d. $21,800.00
   e. none of the above

8. If you need to use mid-quarter convention on the pickup, how much regular MACRS depreciation can you claim on the pickup in 2001? (Do not expense.)
   a. $4,500.00
   b. $4,800.00
   c. $3,428.48
   d. $6,000.00
   e. none of the above

9. The maximum first year expensing that can be claimed in 2001 by a married couple filing a joint return is:
   a. $19,000
   b. $24,000
   c. $20,000
   d. not limited
   e. none of the above
Listed below are Federal, State and Social Security tax levels as reflected in FARMSIM.

<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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Federal Tax Levels</th>
<th>Tax Level</th>
</tr>
</thead>
<tbody>
<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>
</tbody>
</table>

| Income up to $60,000 | 15%        |

Social Security

10. Given this, if you increased your taxable income from $25,001 to $25,101 how much would your taxes (federal and state) and social security taxes increase?
   a. $38
   b. $51
   c. $100
   d. $36
   e. none of the above

11. You were in a relatively low tax bracket in 2001 as compared to other years and compared to where you expect to be in future years. The lowest tax write-off you can get in 2001 for assets purchased in 2001 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

12. Yesterday, on April 24, 2001, you traded a tractor you had for five years for another tractor. The traded tractor was purchased in 1996 for $80,000. You have a remaining depreciation balance "book value" of $30,000 on the traded tractor. You paid an additional $70,000 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. $100,000
   b. $70,000
   c. $30,000
   d. $90,000
   e. none of the above

13. Dr. Mike Duffy discussed some ideas that are being discussed as possibilities for a new farm program. These included:
   a. increased production of oats as a cover crop.
   b. a reduction in conservation priorities.
   c. a program which reduced level of antibiotic use.
   d. subsidize alternative crops such as energy crops.
   e. all the above.
14. According to William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa:
   a. bankers are cash flow driven.
   b. bankers prefer to take on the highest risk loans.
   c. commercial (local) banks are seeing less and less competition for loans.
   d. he doesn’t look at financial information such as liquidity, solvency, etc., when making a loan.
   e. all of the above.

15. Types of credit that William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, discussed included:
   a. short term
   b. intermediate term
   c. long term
   d. all the above
   e. none of the above

16. 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

17. According to Dr. Mike Duffy, in 1999, approximately what percent of Iowa’s net farm income came from government payments?
   a. 129%
   b. 25%
   c. 200%
   d. 10%

18. The current farm program which expires is based on the FAIR Act. The FAIR Act stands for:
   a. Federal Act to Improve Rural Areas.
   b. Federal Agriculture Improvement Reform Act
   c. Federal Agriculture Initiative Response
   d. Federal Act for Individual Response
   e. none of the above.

19. According to Jim Frevert of Hertz Farm Management, the primary form of land ownership is:
   a. trusts
   b. individuals
   c. multiple ownership
   d. family corporations
   e. none of the above
20. 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:
   a. security
   b. acceptance
c. survival
d. none of the above

21. According to Jim Frevert, of Hertz Farm Management, the types of lease arrangements they have are:
   a. 70% crop share; 10% cash rent; and 20% custom
   b. 10% crop share; 70% cash rent; and 10% custom
c. 31% crop share; 31% cash rent; and 36% custom
d. all are cash rent arrangements.
e. none of the above

22. Jim Frevert, of Hertz Farm Management, discussed terms such as ARA. The acronym ARA stands for:
   a. Accredited Routine Appraiser.
b. Accredited Realistic Appraiser
c. Accredited Farm Manager
d. Accredited Farm and Money Manager
e. none of the above

23. Three forms of farm business arrangements would be:
   a. sole proprietorship, corporation, and flexibility.
b. sole proprietorship, asset flexibility, long term arrangement.
c. sole proprietorship, partnership, corporation.
d. partnership, short term arrangement, long term arrangement.e. all the above
The following information is for the next 3 questions. (Information in tables provided may be helpful.)

You purchased a tractor on March 12, 2001. It cost $70,000. 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.

24. How much regular MACRS depreciation can be claimed on the tractor in 2002 if you need to use mid-quarter convention? Do not expense.
   a. $13,393.10
   b. $12,187.70
   c. $14,597.80
   d. $7,497.50
   e. none of the above

25. How much regular MACRS depreciation can you claim on the tractor in 2002? Do not expense, not mid-quarter.
   a. $14,597.80
   b. $13,393.10
   c. $12,187.70
   d. $7,497.50
   e. none of the above

   a. $7,000
   b. $14,000
   c. $10,000
   d. $5,000
   e. none of the above

27. As we discussed in class, three key aspects of hired labor include:
   a. finding, termination, retaining.
   b. finding, training, termination.
   c. finding, retaining, flexibility.
   d. finding, training, retaining.
   e. none of the above.

28. A good incentive plan for farm employees should:
   a. be written.
   b. be based on factors over which the employer has control.
   c. provide immediate payment and recognition.
   d. provide the biggest incentive to the employer.
   e. a and c above.
The following information is for the next 3 questions.

You purchased the neighboring 80 acres on March 15, 2001. The purchase price is $160,000. You can pay a down payment of $24,000 (15%) and borrow the remaining $136,000. The length of the loan is 25 years and the interest rate is 7.5 percent. You are going to make an annual payment on March 15 each year.

29. Given this, what is your annual principal and interest payment if you have an equal annual total payment plan? (Information on the attached table may be helpful.)
   a. $14,353.60
   b. $15,975.76
   c. $12,200.56
   d. $10,200.00
   e. none of the above

30. What is the level of principal and interest payment that you will make at the end of the first year with an even principal payment plus interest plan?
   a. $10,200.00
   b. $15,640.00
   c. $16,640.00
   d. $18,400.00
   e. none of the above

31. For the first year payment of the equal annual total payment plan, how much is the interest payment?
   a. $5,100
   b. $11,520
   c. $20,400
   d. can’t calculate with the information provided
   e. none of the above

32. Sources of agricultural credit would include:
   a. individuals
   b. farm service agency
   c. merchants and dealers
   d. farm credit system
   e. all the above

33. (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.

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. Which one do you prefer?

Life hardly ever lives up to our anxieties.