1. Use the corresponding letter to indicate which type of financial statement is described by the sentences below: (10)

A. Net Worth Statement  
B. Cash Flow Statement  
C. Net Income Statement  
D. Statement of Owner Equity

___ Also called a Balance Sheet  
___ Summarizes both accrual and cash income and expenses during the accounting year  
___ Shows how much of the change in a farm’s net worth came from adjusting the market value of certain assets and how much came from retained earnings  
___ Shows values at a certain date (stocks, not flows)  
___ Divides transactions into operating, financing, investing and nonfarm categories

2. Indicate which class of cash transaction each of the following falls into: (10)

A. Production (operating)  
B. Investment (capital assets)  
C. Financing  
D. Nonfarm

___ Cost of building a new machine shed  
___ Marketing loan received from Farm Service Agency  
___ Cost for repairs to a tractor  
___ Mortgage payment made on a land debt (principal)  
___ Payment received for custom harvesting a neighbor’s hay

3. Would you consider the following decisions to be strategic or tactical? Indicate with S or T. (4)

___ Deciding if a field is too wet to till or not today  
___ Deciding whether to specialize in dairy or beef production  
___ Deciding whether to take a new partner into the business  
___ Deciding which corn hybrid to plant this year
Circle the correct answer. Put a box around your second choice if you want. Four points if your first choice is right, two points if your second choice is right.

4. The “cost value” of farmland can change due to:
   a. Fluctuations in the selling prices of farmland
   b. Depreciation expense
   c. The cost of nondepreciable improvement made, like terraces
   d. Increases in property taxes

5. In double-entry accounting, transactions can be posted to which accounts:
   a. Income and expenses, only
   b. Assets and liabilities, only
   c. Income, expenses, assets and/or liabilities
   d. Cash inflows and cash outflows, only

6. The chart of accounts in an accounting system consists of:
   a. A list of categories under which income, expenses, assets and liabilities will be recorded
   b. A map of the farm
   c. A diagram of how totals from one financial statement are carried to another
   d. A list of unpaid bills to dealers and suppliers

7. On a farm Net Worth Statement, which is higher, cost value net worth or market value net worth?
   a. Cost value net worth
   b. Market value net worth
   c. They are the same
   d. Could be any of the above

8. Contingent income taxes are sometimes included on a Balance Sheet in order to:
   a. Show how much income tax the farm owes from the past year’s business
   b. Show how much income tax the farm would likely owe if all assets were sold
   c. Show how much income tax the farm paid last year
   d. Show how much income tax would be due under accrual accounting compared to cash

9. Which of the following is not a source of Owner Equity for a farm business?
   a. Loans received to purchase capital assets
   b. Increases in the market value of capital assets
   c. Earnings retained in the business
   d. Contributed capital by owners

10. Which of the following does not affect the economic efficiency of a farm enterprise?
    a. Solvency (debt-to-asset)
    b. Physical efficiency (yields, weaning rates)
    c. Marketing (selling prices)
    d. Cost control (input prices)
11. Place each of the following assets in its appropriate location in the Net Worth Statement format below. Use its letter. (12)

A. Farm truck for hauling grain
B. Savings account to be use for purchasing farmland
C. Loan owed for purchase of feed, due in 3 months
D. 80 acres of farmland
E. Balance in farm checking account
F. Household appliances

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
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<tbody>
<tr>
<td>Current</td>
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</tr>
<tr>
<td>Noncurrent</td>
<td>Noncurrent</td>
</tr>
<tr>
<td>Personal</td>
<td>Personal</td>
</tr>
</tbody>
</table>

12. When does a capital gain or capital loss occur on the Net Farm Income Statement? (4)

13. Return to Management is found by subtracting what two values from Net Farm Income? (4)

14. Indicate with the corresponding letter what effect each of the accrual adjustments below would have on gross farm income or expenses (when adjusting from cash to accrual). (10)

A. Increase gross revenue
B. Decrease gross revenue
C. Increase gross expenses
D. Decrease gross expenses

<table>
<thead>
<tr>
<th>Value of grain inventory</th>
<th>Beginning</th>
<th>Ending</th>
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<tbody>
<tr>
<td></td>
<td>$86,000</td>
<td>$120,000</td>
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<tr>
<td>Accounts payable</td>
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<td>$ 11,000</td>
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<tr>
<td>Supplies on hand</td>
<td>$40,000</td>
<td>$ 60,000</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>$17,500</td>
<td>$ 33,000</td>
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</table>
15. Explain the difference between internal scanning and external scanning in the process of strategic management.

(4)

16. Custom Feedlot, Inc. had 1,400 head of cattle on feed as of April 1, with an estimated average weight of 850 lbs. Sixty days later they were down to 1,150 head with an average weight of 1,000 lbs. During that time they bought 300 head of new cattle, at 700 lbs. each, and had a death loss of 20 head.

a. How many head did they sell during this period? (They had no production of their own.)

(3)

b. How many total pounds of gain did their cattle achieve? Their average selling weight was 1,200 pounds. Assume zero pounds for death loss.

(3)

17. A farm took out a 10-year loan for a new dairy facility for $240,000 on Sept. 1, 1999, at 10% interest, with payments to be made on March 1 and September 1 each year thereafter. Each payment is for $12,000 plus interest.

The entire facility cost $300,000. They took $15,000 depreciation expense on the facility for 1999.

What entries would you make on their January 1, 2000 Net Worth Statement as a result? Show the $ values for each one.

(8)

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<thead>
<tr>
<th>Current</th>
<th>Assets</th>
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<th>Liabilities</th>
<th>Long-term</th>
<th>Long-term</th>
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<th>Liabilities</th>
<th>Long-term</th>
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</tbody>
</table>
Strategic Planning and Farm Information Systems

1. A, C, D, A, B
2. B, C, A, C, A
3. T, S, S, T
4. C
5. C
6. A
7. D
8. B
9. A
10. A
11.

<table>
<thead>
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<th>Assets</th>
<th>Liabilities</th>
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<tbody>
<tr>
<td>Current E</td>
<td>Current C</td>
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<tr>
<td>Noncurrent A B D</td>
<td>Noncurrent</td>
</tr>
<tr>
<td>Personal F</td>
<td>Personal</td>
</tr>
</tbody>
</table>

12. When a capital asset is sold for more (gain) or less (loss) than its cost value (depreciated book value).

13. - value of unpaid labor
    - interest charge on net worth capital

14. A, D, A, D, C

15. Internal scanning examines the skills and assets that the farm possesses, and looks for areas in which they have an advantage.

    External scanning looks at forces outside the business that cannot be controlled, but will impact the success of the business.

16a.

\[
\begin{align*}
\text{Beg. Inv.} & \quad 1,400 \\
\text{Purchased} + 300 & \quad \left\{ \begin{array}{c}
\text{Sales} \\
\text{End Inv.} 1,150 \\
\text{Death Loss 20}
\end{array} \right.
\end{align*}
\]

\[
\begin{align*}
\text{\$1700} & = 1,170 + \text{sales} \\
\text{sales} & = \underline{530} \text{ head}
\end{align*}
\]
16b.  

\[(\text{Beg. Inv.} + \text{Purchases} + \text{Gain}) = (\text{End. Inv.} + \text{Sales})\]

\[(1,400 \times 850 \text{ lb.}) + (300 \times 700 \text{ lb.}) + \text{Gain} = (1,150 \times 1,000 \text{ lb.}) + (530 \times 1,200 \text{ lb.})\]

\[1,190,000 + 210,000 + \text{Gain} = 1,150,000 + 636,000\]

\[\text{Gain} = 1,786,000 - 1,400,000\]

\[\text{Gain} = 386,000 \text{ lb.}\]

\[530 \times (1200 - 850) = 185,500\]
\[850 \times (1000 - 850) = 127,500\]
\[300 \times (1000 - 700) = 290,000\]
\[-20 \times 850 = -17,000\]

\[\text{Gain} = 386,000\]

17.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td><strong>Current</strong></td>
</tr>
<tr>
<td>Loan due in 12 months $24,000</td>
<td>Accrued interest</td>
</tr>
<tr>
<td>$240,000 \times 10% \times 4/12 \text{ yr.} = 8,000</td>
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<tr>
<td><strong>Long-term</strong></td>
<td><strong>Long-term</strong></td>
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<tr>
<td>Bldg. $300,000</td>
<td>Remainder of loan</td>
</tr>
<tr>
<td>$300,000 - 15,000 (depreciation) = $285,000</td>
<td>$240,000 - 24,000 = $216,000</td>
</tr>
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