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

1. Which of the following are decision-making steps of management?
   a. evaluate outcome, set goals, define problems
   b. define alternatives, accept responsibility, evaluate outcome
   c. set goals, make decision, evaluate outcome
   d. accept responsibility, make decision, organize data
   e. implementation, set goals, analyze alternatives
   f. All are decision-making steps of management.

2. We talked about some components of farm business management. These could include:
   a. family goals and business goals.
   b. records and/or budgets.
   c. factors of production.
   d. all of the above.
   e. none of the above.

3. At the beginning of the semester we talked about the three C’s. These were:
   a. communication, cash flow, critical analysis.
   b. coordination, consumption, cash flow.
   c. communication, coordination, cooperation.
   d. communication, consumption, cooperation.
   e. none of the above.

4. 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. selective, routine, tell people them.
   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.

5. 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.
6. Types of decisions you would make in a farm business setting would include:
   a. size of equipment to use.
   b. how and when to produce.
   c. how and when to market.
   d. how to finance.
   e. types of records to keep.
   f. all of the above.

7. Which of the following best describes a “particular” balance sheet?
   a. it shows changes in 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 profit for the last accounting period.
   e. None of the above describes a “particular” balance sheet.

8. 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

The next five questions (9-13) are based on the following information for Cy Acres Farm Records.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$60,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>$400,000</td>
</tr>
<tr>
<td>Intermediate and Fixed assets</td>
<td>$340,000</td>
</tr>
<tr>
<td>Intermediate and Fixed liabilities</td>
<td>$210,000</td>
</tr>
<tr>
<td>Current liability</td>
<td>$50,000</td>
</tr>
<tr>
<td>Net Farm Income</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

9. What is CY’s current ratio? (As calculated for Twin Pine Farm in class and in the text.)
   a. .83
   b. 1.2
   c. 1.5
   d. 2.0
   e. None of the above.

10. What is Cy’s debt-to-asset (debt/asset) ratio?
    a. .65
    b. 1.45
    c. .618
    d. .611
    e. None of the above.
11. What is Cy’s working capital?
   a. $10,000
   b. $130,000
   c. $140,000
   d. $50,000
   e. $400,000
   f. None of the above.

12. What is Cy’s debt to equity (net worth) ratio?
   a. .667
   b. 1.0
   c. 1.64
   d. .57
   e. 1.57
   f. None of the above.

13. If Cy’s total debt is $270,000 (not the correct answer) what is her net worth?
   a. $360,000
   b. $220,000
   c. $130,000
   d. $140,000
   e. None of the above.

14. Which of the following would appear on a balance sheet?
   a. Payments for land purchases.
   b. Your net farm income from operations.
   c. Your end of year inventory of corn in storage.
   d. The interest payments you made this year.
   e. Value for which you sold land.

15. 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. is the level of interest which has accumulated on a loan from the last time you paid it up to the date you are doing the balance sheet.
   c. you missed accounting for the interest last year so you include it this year.
   d. it reflects the total cash interest you paid on a loan this year. If you have a land loan paid in March of each year, it represents the interest accumulated from the March payment up to the time you complete the balance sheet.
   e. None of the above.

16. Which of the following is an example of a long term liability?
   a. Total liability on a 20 year farm loan.
   b. Total liability on a 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.
17. Which of the following is an example of a current asset?
   a. value of breeding livestock.
   b. value of corn in storage.
   c. value of machinery and equipment.
   d. value of farm land.
   e. All of the above.

18. 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.

19. If a business has a current ratio which is less than one (the way it was discussed in class):
   a. current assets exceed current liability
   b. liabilities exceed assets
   c. the working capital is positive
   d. assets exceed liabilities
   e. current liabilities exceed current assets

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
   a. that they are complex and detailed enough that everything will be in the record system.
   b. to help you in locating the strong and weak points of the business.
   c. to position you where you can tell your landlord that you have records.
   d. to satisfy the Internal Revenue Service on your taxes.
   e. to be able to show your neighbor how well you did.

22. 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.
The next three questions (23-25) are based on the following information. Your neighbor “Cyclone Christie” has purchased some beef cows for her beef cow operation. She heard that you were in Econ 330 and that depreciation methods had been discussed. She was wondering how much depreciation she would calculate for her business records. She gave the following information on the beef cows.

- Purchase price: $40,000
- Years of useful life: 4 years
- Salvage value: $12,000
- Purchase date: January 1

23. What is the amount of depreciation “Cyclone Christie” would claim in year 2 using the straight line method of depreciation?
   a. $10,000
   b. $3,000
   c. $13,000
   d. $7,000
   e. None of the above.

24. What is the amount of declining balance depreciation “Cyclone Christie” would claim in the first year using the double declining balance method of depreciation?
   a. $7,000
   b. $10,500
   c. $14,000
   d. $20,000
   e. None of the above.

25. What is the amount of depreciation “Cyclone Christie” would claim in the first year using the sum-of-the-years-digits method?
   a. $16,000
   b. $11,200
   c. $2,800
   d. $7,000
   e. None of the above.

The next four questions (26-29) are based on the following information. Your neighbor “Clone Charlie” would like to pull together some information for a Net Farm Income Statement. He has the following information.

- Cash expenses: $200,000
- Beginning Inventory Crops in Storage: $80,000
- Ending Inventory Crops in Storage: $70,000
- Cash income: $300,000
- Beginning Inventory Market Livestock: $90,000
- Ending Inventory Market Livestock: $60,000

26. What is the Cash Net Farm Income for “Clone Charlie”?
   a. $300,000
   b. $100,000
   c. $200,000
   d. $60,000
   e. Can’t determine with the information provided.
27. How much did “Clone Charlie’s” inventory of crops in storage change during the year?
   a. Decreased by $10,000.
   b. Increased by $70,000.
   c. Increased by $10,000.
   d. It remained at $80,000.
   e. None of the above.

28. What is the Net Farm Income from operations for “Clone Charlie”?
   a. $300,000
   b. $100,000
   c. $200,000
   d. $60,000
   e. None of the above.

29. If “Clone Charlie’s” net farm income from operations was $50,000 (not the correct answer) before the following inventory adjustments, what would be “Clone Charlie’s” net farm income from operations be after the inventory adjustments?

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Interest beginning of the year</td>
<td>$4,000</td>
</tr>
<tr>
<td>Accrued Interest end of the year</td>
<td>$6,000</td>
</tr>
<tr>
<td>Prepaid Expenses beginning of the year</td>
<td>$10,000</td>
</tr>
<tr>
<td>Prepaid Expenses end of the year</td>
<td>$7,000</td>
</tr>
</tbody>
</table>

   a. $45,000
   b. $55,000
   c. $51,000
   d. It would remain at $50,000
   e. None of the above.
The following information is for the following four questions (30-33).

“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!!!) is as follows: (“Cyclone” is surprised “Herkey” would sign such a contract but again “Herkey” has no idea what is going on.)

<table>
<thead>
<tr>
<th>Pounds of Nitrogen</th>
<th>Bushels of Corn</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>40</td>
<td>100</td>
</tr>
<tr>
<td>80</td>
<td>130</td>
</tr>
<tr>
<td>120</td>
<td>150</td>
</tr>
<tr>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>200</td>
<td>162</td>
</tr>
<tr>
<td>240</td>
<td>158</td>
</tr>
</tbody>
</table>

30. If the cost of nitrogen is 20 cents per pound and the corn price is $2.00 per bushel, how much nitrogen should “Herkey” apply to maximize profits?
   a. 80 pounds.
   b. 120 pounds
   c. 160 pounds
   d. 200 pounds
   e. 240 pounds

31. What is the value of the increased corn yield for the 40 pounds of nitrogen as “Herkey” moves from 80 to 120 pounds of nitrogen? (The corn price is $2.00 per bushel).
   a. $20.00
   b. $40.00
   c. $300.00
   d. $200.00
   e. None of the above.

32. How low would the cost of nitrogen need to get before “Herkey” would apply 240 pounds of nitrogen. (The price of corn is $2.00 per bushed).
   a. “Herkey” should never apply 240 pounds of nitrogen even if it is free.
   b. At 5 cents per pound “Herkey” should apply 240 pounds.
   c. At 2 cents per pound “Herkey” should apply 240 pounds.
   d. “Herkey” should go to 240 pounds with the price at 20 cents per pound.

33. What is the marginal physical product for “Herkey” as nitrogen applications increase from 40 to 80 pounds per acre?
   a. 20 bushels
   b. 30 bushels
   c. 10 bushels
   d. 2 bushels
   e. 4 bushels

Part II. Bonus (2 points)

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