Part I: Multiple Choice. 3 points each.

1. Which of the following would not appear on a cash flow budget?
   a. feed purchases
   b. inventory change
   c. family living expenses
   d. purchase cost of new tractor
   e. none of the above

2. When preparing a cash flow budget it is important to:
   a. take into account the timing of cash inflows and outflows
   b. include all noncash expenses
   c. include only cash revenues but non-cash as well as cash expenses
   d. omit family living expenses
   e. none of the above

3. 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. all of the above
   e. none of the above

4. This type of farm business organization provides the owner with the most freedom to make independent decisions.
   a. sole proprietorship
   b. partnership
   c. corporation

5. This type of farm business organization provides for business continuity upon an unforeseen event such as death of one of the owners.
   a. sole proprietorship
   b. partnership
   c. corporation

6. With this type of farm business organization other members of the arrangement can be personally liable for actions of others in the organization.
   a. sole proprietorship
   b. partnership
   c. corporation
7. The maximum first year expensing that can be claimed in 1999 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

8. Which of the following would not be included on a farm tax return when using the cash accounting method?
   a. inventory changes
   b. depreciation
   c. fertilizer expense paid
   d. interest expense paid
   e. purchase price for feeder cattle purchased and paid for this year but to be sold next year
   f. a and e above
   g. none of the above

The following information is for the next 3 questions.

You purchased a new tractor on March 15, 1999. You needed to replace one to get ready for the cropping season. It cost $84,000. 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, CD and video player, computer with farm record and budgeting program; all in the cab.

9. How much straight line depreciation can you claim on the tractor in 1999? Do not expense, not mid-quarter.
   a. $12,000
   b. $16,800
   c. $8,400
   d. $8,600
   e. $6,000
   f. none of the above

10. How much regular MACRS depreciation can be claimed on the tractor in 1999 if you need to use mid-quarter convention? Do not expense.
    a. $15,750.00
    b. $8,999.76
    c. $12,600.00
    d. $22,050.00
    e. $11,025.00
    f. none of the above

11. How much regular MACRS depreciation can you claim on the combine in 1999? Do not expense, not mid-quarter.
    a. $15,750.00
    b. $8,999.76
    c. $12,600.00
    d. $22,050.00
    e. $11,025.00

The following information is for the next 3 questions.
You purchased a 4-wheel drive pickup on April 15, 1999. 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 $26,000.

   a. $1,950.00
   b. $6,630.00
   c. $2,785.64
   d. $3,900.00
   e. $5,450.00
   f. none of the above

13. How much regular straight line depreciation can be claimed on the pickup in 2001? Do not expense.
   a. $3,714.29
   b. $5,200.00
   c. $2,600.00
   d. $4,000.00
   e. $2,797.00
   f. none of the above

14. If you use first year expensing (joint return) plus regular MACRS depreciation in 1999, how much first year expensing plus regular MACRS can you claim? (Joint return filed. Mid-quarter does not apply.)
   a. $19,000.00
   b. $20,050.00
   c. $19,749.98
   d. $21,000.00
   e. $19,500.00
   f. none of the above
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>Federal Tax Levels</td>
<td></td>
</tr>
<tr>
<td>$0 to $35,000</td>
<td>15%</td>
</tr>
<tr>
<td>$35,001 and above</td>
<td>28%</td>
</tr>
<tr>
<td>State Tax Levels</td>
<td></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>Social Security</td>
<td></td>
</tr>
<tr>
<td>Income up to $60,000</td>
<td>15%</td>
</tr>
</tbody>
</table>

15. Given this, how much more taxes (Federal and State) and Social Security tax will be paid if you increase taxable income from $15,150 to $15,250 or by $100?
   a. $37
   b. $100
   c. $38
   d. $52
   e. none of the above

16. You were in a relatively low tax bracket in 1999 as compared to other years and compared to where you expect to be in future years. The minimum tax write-off you can get in 1999 for assets purchased in 1999 is by using (they meet requirements for depreciation under the tax law):
   a. 50% of the MACRS rate
   b. MACRS using the greatest 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
   f. MACRS accelerated rate along with straight line
   g. none of the above provide the minimum tax write-off for 1997

17. You are in the 28% tax bracket. You claim $20,000 depreciation. How much will this reduce your taxes which you owe?
   a. $5,600.00
   b. $20,000.00
   c. $10,000.00 as you can only claim 50 percent
   d. $14,400.00
   e. none of the above

18. Yesterday, on April 27, 1999, you traded a combine you had for six years for another combine. The traded combine was purchased in 1993 for $75,000. You have a remaining depreciation balance “book value” of $15,000 on the traded combine. The market value of the traded combine is $12,000. You paid an additional $70,000 cash for the new combine. The list price on the new combine was $120,000. What is the tax basis (where you start depreciation) for the new combine?
   a. $80,000
   b. $85,000
   c. $87,000
   d. $108,000
   e. $120,000
   f. none of the above
19. In 1999 you purchased the following depreciable assets which were 20 year or less class life property. What is the maximum regular MACRS depreciation you can claim on the dairy cows in 1999?

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Placed in service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy cows</td>
<td>$5,000</td>
<td>August 1</td>
</tr>
<tr>
<td>Cattle chute</td>
<td>$8,000</td>
<td>May 1</td>
</tr>
<tr>
<td>Pig feeders</td>
<td>$20,000</td>
<td>Dec 1</td>
</tr>
<tr>
<td>Hay rake</td>
<td>$10,000</td>
<td>Feb 1</td>
</tr>
</tbody>
</table>

a. $937.50  
b. $562.50  
c. $1,250.00  
d. $401.80  
e. none of the above

20. Key elements of future farm labor management include:
   a. exercising greater control of employees to be sure they are profitable
   b. know the employees and allow flexibility and input from them to allow for greater progress
   c. use less labor to avoid all the extra costs and hassles attached to it
   d. reduce the operation to create less need which will better utilize employees you already have

21. Activities which will decrease taxable income would include (cash basis filing):
   a. delay purchases
   b. have feed delivered to the farm, and pay for it
   c. delay sales
   d. a and b above
   e. b and c above
   f. none of the above

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

23. According to Jim Frevert, President Hertz Farm Management, a typical farm manager with Hertz Farm Management:
   a. manages 50 farms
   b. works with 500-700 landlords
   c. manages 120,000 to 150,000 acres
   d. works with 2-3 elevators
   e. works with 3-4 agribusiness dealers
   f. all of the above
24. Jim Frevert, President Hertz Farm Management, talked about areas of service they provide. These included:
   a. leasing-operator selection
   b. marketing of crops
   c. production
   d. client communication
   e. all of the above

25. 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

26. Types of credit that William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, discussed included:
   a. emergency
   b. short term - operating
   c. non-refundable
   d. double tiering
   e. all of the above

27. William Tufford, President and CEO of State Bank and Trust, Nevada, Iowa, discussed similarities and differences between the financial difficulties between the financial difficulties of agriculture today and in the early 1980’s. Differences included:
   a. inflation rate is higher today
   b. interest rate is lower today
   c. farmers in the mid to late 1970’s had greater refinancing capacity
   d. farmers today have come through some very difficult times in the mid 1990's
   e. all the above are differences

28. Approximately what percent of Iowa’s net farm income has come from government payments over the past 20 years?
   a. 5%
   b. 10%
   c. 25%
   d. 33%

29. What is the correct name of the current farm bill?
   a. Freedom to Farm (FRFA)
   b. Food and Trade Policy (FTP)
   c. Federal Agriculture Improvement and Reform (FAIR)
   d. 1999 Farm Bill (99FB)
30. Supply management is an important feature of the current farm program.
   a. yes
   b. no

31. 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
   f. a and b above
   f. none of the above

32. Three key aspects of hired labor are:
   a. finding, benefits, preparing work schedule
   b. training, retaining, termination
   c. preparing and work schedule, providing for full labor utilization, termination
   d. finding, training, retaining
   e. retaining, a written agreement, immediate payment
   f. none of the above

33. Possible labor incentive programs would include:
   a. a tenure incentive plan
   b. percent of gross income
   c. equity in the business
   d. percent of net income
   e. all of the above

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!

**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.