Part 1. Multiple Choice. Indicate the best answer (4 pts. ea.)

1. Which of the following best describes a 'particular' balance sheet (Net Worth Statement)?
   a. It shows changes in assets and liabilities over the last accounting period
   b. It shows business profits for the last accounting period
   c. It shows assets and liabilities at a point in time
   d. It shows changes in assets and liabilities over a period of time

   c.

2. Location of production of products such as corn, cattle or any product can be impacted by:
   a. Climate
   b. Social and population
   c. Distance to markets
   d. Comparative advantage

   c. All of the above are factors which impact where products are produced

3. Some limitations on using manure for crop nutrients would include:
   a. It can be difficult to apply uniformly
   b. The N, P, and K amount is fixed in the product
   c. The product may not be uniform
   d. The application can delay the crop planting date

   c. All of the above.

4. You are applying swine manure to your corn ground for next year. You have taken manure samples
   and test results showed the following nutrient level per 1,000 gallons of manure: nitrogen 38
   pounds, P₂O₅ 35 pounds, and K₂O 32 pounds. You check with your local commercial fertilizer
   dealer and she indicates that the price of commercial fertilizer is as follows: nitrogen $0.30 per
   pound, P₂O₅ $0.42 per pound, and K₂O is $0.30 per pound. Given this, what is the value of the
   nutrients in manure if you apply 3,000 gallons per acre? You are calculating the value per acre.

   a. $35.70
   b. $44.10
   c. $107.10
   d. $78.30
   e. None of the above
5. Items you need to know before you apply manure as a crop nutrient would include:
a. Nutrient needs of your crop
b. Manure handling costs
c. Cost of commercial fertilizer
d. Nutrient analysis of manure available
   All of the above.

6. Advantages of leasing land include:
a. Frees up working capital
b. Access to additional management
c. Operation size is flexible
d. Financial obligations are more flexible
   All of the above.

7. Land leasing disadvantages include:
a. Equity accumulation is too rapid
b. You have security of tenure
   Improving farm facilities can be a problem
d. The cash flow is more of a problem than if you purchase the land
e. None of the above.

8. Items that can have an impact on land value would include:
a. Location of land
b. Number of competing uses for the land
c. The income potential
d. Buildings and improvements on the land
   All of the above.

9. Which type of leasing arrangement would leave the land owner with the greatest risk?
a. Cash rent
b. Crop share
   Custom operation
d. Combination of cash rent and sharing in yield risk.

10. A profit and loss statement shows:
a. The growth in asset level for the year.
b. The amount of debt of an operation.
c. The level of family living expenses.
d. The amount of taxable income.
   None of the above.

11. If the assets of a business exceed the liabilities of a business, the business:
a. Is insolvent
b. Is solvent
   Does not have liquidity problems
d. Has liquidity problems
e. B and c above
12. According to Tim Fevold, Hertz Farm Management:
   a. More than 75 percent of the land in Iowa is farmed by the owner
   b. More than half of the land in Iowa is farmed by the person owning it
   c. About 80 percent of the land in Iowa is farmed by a tenant
   d. About 40 percent of the land in Iowa is farmed by the owner
      None of the above.

13. Tim Fevold of Hertz Farm Management:
   a. Is a graduate of the University of Northern Iowa
   b. Has been recognized as the Farm Manager of the Year
   c. Is an accredited farm manager
   d. All of the above
      b and c above

14. According to Tim Fevold, Hertz Farm Management, if you want to terminate a lease in Iowa for the year 2008, it needs to be terminated by:
   a. November 30, 2007
   b. January 1, 2008
      September 1, 2007
   d. Before the crop season starts in 2008
   e. None of the above is the correct date.

The next six questions are based on the following information.

You have been provided the following information from ‘330 Acres’ and asked to provide assistance on the analysis.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid labor charge</td>
<td>$25,000</td>
</tr>
<tr>
<td>Unpaid management charge</td>
<td>$15,000</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$20,000</td>
</tr>
<tr>
<td>Net farm income from operations</td>
<td>$55,000</td>
</tr>
<tr>
<td>Capital charge (opportunity cost)</td>
<td>6%</td>
</tr>
<tr>
<td>Average asset value</td>
<td>$500,000</td>
</tr>
<tr>
<td>Average level of liabilities</td>
<td>$300,000</td>
</tr>
<tr>
<td>Reduced level of liabilities</td>
<td>$10,000</td>
</tr>
<tr>
<td>Value of farm production</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

15. If ‘330 Acres’ return to assets is $40,000 (not the correct answer), what is her rate of return to assets (ROA)?
   a. 8.00%
   b. 13.33%
   c. 20.00%
   d. 6.59%
   e. None of the above

16. What is ‘330 Acres’ return to assets?
   a. $75,000
   b. $55,000
      $35,000
   d. $50,000
   e. None of the above
17. If ‘330 Acres’ return to equity was $40,000 (not the correct answer), what is her rate of return on equity (ROE)?
   a. 8.00%
   b. 13.33%
   c. 20.00%
   d. 6.59%
   e. None of the above

18. What is ‘330 Acres’ return to labor and management?
   a. $25,000
   b. $40,000
   c. $30,000
   d. $45,000
   e. None of the above

19. What is ‘330 Acres’ return to equity?
   a. $30,000
   b. $15,000
   c. $55,000
   d. $25,000
   e. None of the above

20. What is the asset turnover ratio for “330 Acres”?
   a. .50
   b. 1.0
   c. .833
   d. 2.67
   e. None of the above.

The following information is for the next two questions.

ISU Farms has the following information and would like to know what returns per $100 feed fed was for the cattle feeding operation.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$240,000</td>
</tr>
<tr>
<td>Livestock inventory change</td>
<td>+$10,000</td>
</tr>
<tr>
<td>Cattle purchases</td>
<td>$100,000</td>
</tr>
<tr>
<td>Value feed fed</td>
<td>$70,000</td>
</tr>
<tr>
<td>Purchased feed</td>
<td>$20,000</td>
</tr>
<tr>
<td>Beginning inventory</td>
<td>$80,000</td>
</tr>
</tbody>
</table>

21. Given the above information, and that total costs were $250; non-feed costs was $150.00; while feed costs represented $100, ‘ISU farms’:
   a. Made money (profit) in the cattle feeding operation
   b. Lost money in the cattle feeding operation
   c. Can’t determine with the information provided
22. Given the above information, what is the return for $100,000 invested?
   a. $342.86
   b. $328.57
   c. $167.67
   d. $185.71
   e. None of the above.

   Answer: $166.67

The following information is for the next two questions.

You are provided the following information:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt/asset ratio</td>
<td>.25</td>
</tr>
<tr>
<td>Level of equity</td>
<td>$300,000</td>
</tr>
<tr>
<td>Net farm income from operation</td>
<td>$50,000</td>
</tr>
<tr>
<td>Capital charge (opportunity cost)</td>
<td>4%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

23. Assume that the interest expense was all related to the debt reflected in the above example. If the rate of return on assets is 15 percent, the:
   a. Rate of return on equity is less than the rate of return on assets
   b. Rate of return on equity is greater than the rate of return on assets
   c. Rate of return on equity is equal to the rate of return on assets
   d. You can’t determine the relationship with the information provided

24. Given this, what is the return to labor and management?
   a. $50,000
   b. $70,000
   c. $58,000
   d. $54,000
   e. None of the above.

25. You have just started your new job at Econo 330 One Stop Bank. A client, Henry Hawkeye, would like to know what his rate of return to equity is. It surprised you that a Hawkeye would know that there was such a thing. He provided you with the following information:

   Total assets = $500,000
   Total liability = $400,000
   Rate of return on assets = 10 percent
   Interest cost (rate) = 7 percent

   Given this, what is the rate of return on equity?
   a. 11 percent
   b. 19 percent
   c. 22 percent
   d. Can’t calculate with the limited information provided.
   e. None of the above.

   Bonus – 2 pts.

   What holiday is coming up in about three weeks? ____________________________________________