

Name Green Key

**Part I. Multiple Choice (4 pts ea). Select the best answer.**

1. Factors that influence land leasing terms include:
  - a. value of the contributions made by each party in leasing arrangement.
  - b. productivity of the contributions of each party.
  - c. alternative opportunities open to each party for use of their resources.
  - d. All of the above.
  
2. You are in the 25% tax bracket in 2010. Your taxes owed before depreciation is \$100,000. Your level of depreciation you can claim is \$80,000. The taxes you owe after depreciation is \_\_\_\_\_?
  - a. \$20,000
  - b. \$80,000
  - c. \$100,000
  - d. \$75,000
  - e. none of the above
  
3. Which of the following tax options would decrease income taxes during a year in which taxable income is abnormally high (cash basis filing):
  - a. move some crop sales normally made this year into next year.
  - b. use accelerated depreciation and pay in advance or move next year's revenues into this year.
  - c. use straight line depreciation.
  - d. move some expenses which would normally occur this year into next year.
  - e. c and d only
  - f. a and b only
  - g. none of the above
  
4. You have just completed a long-range whole farm plan for an operation of your choice. In doing so you have completed a number of steps. These would include:
  - a. establishing goals, determining expected production levels, identifying resources available.
  - b. evaluating the cash flow, evaluating profit, determining expected crop prices.
  - c. determining expected livestock prices, determining your skills and personal preference, evaluating available markets.
  - d. determining capital requirements, determining amount and distribution of labor, summarizing the cropping system.
  - e. summarizing the livestock system, comparing the alternatives and making a choice, identifying problems.
  - f. All of the above are potential steps to completing a long range whole farm plan.
  
5. In long-range whole farm planning you are looking at a set of alternatives to determine which one is best for you. In making the decision:
  - a. the amount of risk is a consideration.
  - b. income stability along with expected income can be important.
  - c. profitability along with cash flow or the ability to repay debt would be considerations.
  - d. level of investment would be considered.
  - e. All of the above would be considered.
  - f. None of the above are good suggestions for making the decision in long-range planning.

6. You have completed your whole farm long range farm plan and are now evaluating the results. Factors you would consider, in addition to the bottom line, could include:
- seasonal distribution of labor needs.
  - level of investment needed.
  - variability of income.
  - management responsibilities.
  - All of the above.

Attached information provides enterprise information for an Iowa grain farm. Use this information for the next four questions.

7. What was the Accrued Net Farm Income for the farm (#1499999)?
- \$124,312
  - \$96,740
  - \$178,920
  - \$61,790
  - None of the above.
8. What was the 'total cash expense' per bushel for soybeans production for the farm (#1499999)?
- \$9.30 per bushel
  - \$11.20 per bushel
  - \$4.14 per bushel
  - \$9.49 per bushel
  - None of the above
9. What was the average number of bushels of soybeans produced per acre for the farm (#1499999)?
- 97.45 bushels
  - 40.20 bushels
  - 54.4 bushels
  - 45.0 bushels
  - None for the above.
10. What was the return on investment for the farm (#1499999)?
- 17.5%
  - 14.1%
  - 23.1%
  - 8.07%
  - None of the above.

11. You are provided the following information:

Item	Cow A	Cow B
% calf crop	95%	95%
Calf weight	550	500
Calf price	\$1.00 per pound	\$1.00 per pound
Number acres per cow	1.5	2.0

Given this, what is the revenue per cow for Cow A?

- \$522.50
- \$550.00
- \$348.33
- \$366.67
- None of the above.

12. What is the return per acre for Cow B?
- \$475.00
  - \$275.00
  - \$237.50
  - \$250.00
  - None of the above.
13. One measure used in many livestock enterprise records is returns per \$100 feed fed. You have the following information for your cattle feeding operation:
- |                            |           |
|----------------------------|-----------|
| Home consumption           | \$2,000   |
| Home grown feed fed        | \$200,000 |
| Cattle purchases           | \$100,000 |
| Cattle sales               | \$600,000 |
| Beginning cattle inventory | \$200,000 |
| Ending cattle inventory    | \$400,000 |
| Purchased feed fed         | \$100,000 |
- Given this, the return per \$100 feed fed is:
- \$134.00
  - \$167.33
  - \$267.33
  - \$234.00
  - None of the above.
  - Can't calculate with information provided.
14. In the above example, if all of your production costs excluding feed cost were \$110 per \$100 feed fed you:
- made money
  - broke even
  - lost money
  - none of the above
  - not sufficient information to determine

**The following information applies to the next three questions (Q15-17).**

15. Today, December 7, 2010, you purchased a tractor for \$350,000. How much is the most regular first year expensing that you can claim in 2010? (You are filing a joint return; mid-quarter convention doesn't apply. Attached tables may help.)
- \$134,000
  - \$125,000
  - \$250,000
  - \$175,000
  - None of the above.
16. How much regular MACRS depreciation can you claim on the tractor in the year 2010? (Again, you are filing a joint return; midquarter convention doesn't apply. You are also not using first year expensing. Attached tables may help.)
- \$9,376.50
  - \$37,499
  - \$93,765
  - \$52,500
  - None of the above.

17. How much regular MACRS depreciation can you claim on the tractor in 2012? (Attached tables may help.)
- a. \$52,615.50
  - b. \$62,475.00
  - c. \$70,742.00
  - d. \$41,279.00
  - e. None of the above.
18. Today, December 7, 2010, you have a specialized beef feeding facility finished and available for use. It costs \$900,000. How much first year expensing and regular MACRS depreciation will you be able to claim on the feeding facility in 2010? (mid-quarter convention doesn't apply.)
- a. \$298,750
  - b. \$67,500
  - c. \$530,000
  - d. \$900,000
  - e. None of the above.
19. You had a general farm building constructed and ready for use as of today, December 7, 2010. It cost \$600,000. How much additional first year expensing and regular MACRS depreciation can you claim in 2010?
- a. \$45,000
  - b. \$22,500
  - c. \$503,750
  - d. \$507,500
  - e. None of the above.
20. In tax management the primary objective should be to:
- a. minimize the amount of taxes you pay.
  - b. minimize your taxable income.
  - c. maximize your expenses that are tax deductible.
  - d. maximize your after tax income.
  - e. All of the above.

**Questions 21 through 31 are based on the information provided on the attached Balance Sheet and Income Statement for George A. and Ann Profit. Ann and George A. would like some help in calculating some financial ratios.**

21. What is George and Ann Profit's operating expense ratio (base on gross revenue)?
- a. .483
  - b. .607
  - c. .459
  - d. .544
  - e. None of the above.
22. What level of owner equity is a result of profit from the business?
- a. \$484,240
  - b. \$443,775
  - c. \$289,422
  - d. \$838,360
  - e. None of the above

23. What is the current ratio for the Profits' business? (Prepare for the banker, use market value.)
- a. 1.21
  - b. 1.23
  - c. 1.18
  - d. 1.54
  - e. None of the above
24. What is the business asset turnover for George and Ann Profit (base on gross revenues)?
- a. .31
  - b. 1.07
  - c. .54
  - d. .28
  - e. None of the above
25. What is the working capital for George and Ann Profit?
- a. \$284,203
  - b. \$234,397
  - c. \$52,806
  - d. \$75,695
  - e. None of the above
26. What is George and Ann's business equity/asset ratio?
- a. .445
  - b. .405
  - c. .443
  - d. .423
  - e. None of the above
27. Are George and Ann solvent in their business?
- a. Yes
  - b. No
  - c. Can't tell with information provided.
28. What is George and Ann Profit's interest expense ratio (base on gross revenue)?
- a. .150
  - b. .137
  - c. .145
  - d. .544
  - e. None of the above.
29. What is George and Ann Profit's net farm income from farm operations?
- a. \$303,903
  - b. \$63,728
  - c. \$53,888
  - d. \$50,888
  - e. None of the above.

30. If George and Ann Profit indicate that they have placed a value of \$30,000 on their unpaid family labor and management, what is their rate of return on farm business assets? (Use end of year balance sheet values, if needed.)
- a. 6.64%
  - b. 6.44%
  - c. 5.97%
  - d. 6.14%
  - e. None of the above.
31. If George and Ann Profit indicate they have placed a value of \$30,000 on their unpaid family labor and management, what is their rate of return on farm business equity (use end of year balance sheet values, if needed).
- a. 4.93%
  - b. 6.29%
  - c. 5.38%
  - d. 3.76%
  - e. None of the above

**Attached find a Balance Sheet for Coasting Farms dated January 1, 2009. This will be used for the next two questions.**

32. What is the market valuation equity for Coasting Farms?
- a. \$60,598
  - b. \$159,001
  - c. \$86,523
  - d. \$98,403
  - e. Can't determine with the information provided.
  - f. None of the above.
33. What is the level of retained earnings/contributed capital for Coasting Farms? (Include farm and non-farm assets and liabilities.)
- a. \$98,403
  - b. \$406,385
  - c. \$247,384
  - d. \$149,678
  - e. \$349,765
  - f. Can't determine with the information provided.

**Part II. Fill in the blanks.**

1. (10 pts) During the semester you worked on eight labs. We would appreciate your assistance in how useful you feel they were. Place a value beside each one ranging from 1 to 4.  
 1 = very useful  
 2 = somewhat useful  
 3 = neutral  
 4 = not useful - drop it

- \_\_\_\_\_ 1. Developing strategic plan
- \_\_\_\_\_ 2. Pig finishing budget
- \_\_\_\_\_ 3. Beef feeding assignment
- \_\_\_\_\_ 4. Crop share arrangement
- \_\_\_\_\_ 5. Cash flow analysis
- \_\_\_\_\_ 6. Record analysis - Whole farm
- \_\_\_\_\_ 7. Record analysis - Enterprise
- \_\_\_\_\_ 8. Whole farm plan

2. (12 pts) We talked about tax management in buying a farm. You purchased the Econ 333 Farm for \$340,000. The assets listed below come with the purchase. Allocate the asset values to provide the maximum tax impacts as soon after purchase as possible.

	High Value	Low Value	Value for Tax Records
Sows and boars	\$30,000	\$20,000	<u>30,000</u>
Hog Feeding Facility (Single Purpose)	\$130,000	\$70,000	<u>70,000</u>
Grain Bins	\$25,000	\$12,000	<u>25,000</u>
Pickup	\$20,000	\$10,000	<u>20,000</u>
Feeder Pigs	\$15,000	\$10,000	<u>15,000</u>
Paved Lot	\$40,000	\$30,000	<u>30,000</u>
Growing Crop	\$50,000	\$30,000	<u>50,000</u>
Land (100 Acres)	\$160,000	\$100,000	<u>100,000</u>

**Do Not Go Beyond Here**

Paper Grade \_\_\_\_\_

Course Total \_\_\_\_\_

Course Percent \_\_\_\_\_

Course Grade \_\_\_\_\_