

2018 NEO Aggie Day Farm Business Management Exam

1. Which financial statement lists the value of farm assets and liabilities on a specified date?
 - A. Balance sheet
 - B. Income statement
 - C. Statement of owner equity
 - D. Statement of cash flows
2. This financial statement reports farm revenues minus farm operating and financial expenses over an accounting period.
 - A. Balance sheet
 - B. Income statement
 - C. Statement of owner equity
 - D. Statement of cash flows
3. This financial statement expresses the relationship between the sources of cash and uses of cash over an accounting period.
 - A. Balance sheet
 - B. Income statement
 - C. Statement of owner equity
 - D. Statement of cash flows
4. This financial statement explains changes in net worth.
 - A. Balance sheet
 - B. Income statement
 - C. Statement of owner equity
 - D. Statement of cash flows
5. Which of the following is considered a farm revenue in an accrual-adjusted income statement?
 - A. Fertilizer expense during the accounting period.
 - B. Crop sales during the accounting period.
 - C. The increase in the value of crop inventory during the accounting period.
 - D. B & C
 - E. A & C
6. The original cost basis of an asset plus the cost of any improvements or alterations that extends the life of the asset less accumulated depreciation or depletion on the asset is referred to as the
 - A. net cost value of the asset.
 - B. net market value of the asset.
 - C. adjusted basis or cost value of the asset.
 - D. total amortization value of the asset.
7. Net Farm Income from Operations for a sole proprietorship business refers to
 - A. accrual adjusted revenues minus accrual adjusted expenses.

- B. total market value assets minus total liabilities.
 - C. current assets minus current liabilities.
 - D. cash income minus cash expenses.
8. Cash on hand on a business balance sheet would most closely correspond to which of the following?
- A. The balance in the farm checking and savings account.
 - B. The balance in the farm checking and savings account plus other current assets.
 - C. The cash balance in the farm hedging account.
 - D. The value of stored grain inventory plus the value of market livestock.
9. The owner equity of a farm business is comprised of which three parts?
- A. Current assets, intermediate assets and long term assets.
 - B. Cost based asset values, market based asset values and inflation adjusted asset values.
 - C. Contributed or paid in capital, retained earnings and valuation equity.
 - D. Change in asset values, change in liabilities and change in cash.
10. Net Farm Income for a farm business organized as a sole proprietorship represents a return to all the following except
- A. unpaid family labor.
 - B. owner's investment in the business.
 - C. equity capital.
 - D. borrowed capital.
11. Which one of the following statements is true?
- A. The Statement of Cash Flows includes non-cash revenues while the Income Statement includes only cash revenue and cash expenses.
 - B. The Accrual Income Statement can have a gross revenue smaller than total cash income reported in the Statement of Cash Flows.
 - C. Depreciation is included in the Statement of Cash Flows and the Income Statement.
 - D. The purpose of both the Income Statement and the Statement of Cash Flows is to measure profits of the farm business.
12. Which one of the following can increase the retained earnings of the farm business?
- A. Net farm income greater than business withdrawals for family living expenses and income taxes.
 - B. Net farm income less than business withdrawals for family living expenses and income.
 - C. An operating loss for the accounting period.
 - D. An increase in the amount of money withdrawn from the business for family living expenses and income taxes.
13. A financial management tool showing the projected costs and returns associated with a single production process is a/an
- A. cash flow projection.
 - B. enterprise budget.

- C. partial budget.
D. whole farm budget.
14. A management tool where a person compares two different production options or practices, and then compares estimated income and expenses to identify the better option or practice is a/an
A. partial budget.
B. cash flow projection.
C. enterprise budget.
D. whole farm budget.
15. When determining the effect of growing more acres of a crop in an enterprise budget, the value least likely to change would be
A. total average costs.
B. total operating costs.
C. operating costs per acre.
D. total variable costs.
16. When determining the effect of growing more acres of a crop, the cost most likely to change would be
A. operating costs per acre.
B. fixed costs per acre.
C. rent per acre.
D. crop insurance per acre.
17. A whole farm schedule of expected returns and expenses is a
A. balance sheet.
B. partial budget.
C. depreciation schedule.
D. budget.
18. In a partial budget, to determine the effect of choosing one option over another, you would
A. subtract additional costs plus reduced returns from additional revenue plus reduced costs.
B. add additional revenue to reduced costs.
C. subtract additional revenue plus reduced returns from additional costs plus reduced costs.
D. subtract additional revenue from additional costs.
19. For a livestock budget to be meaningful, what value should be placed on raised crops fed?
A. The costs to produce these crops
B. Local market value
C. Local market value plus 10%
D. Reported state average sale price
20. A cash flow projection is a form of budgeting that is used to
A. determine living expenses.

- B. determine a yearend balance.
- C. determine operating credit needs.
- D. calculate total farm equity.

21. Solvency measures the ability of all assets, if sold at market value, to cover all debts.

- A. True
- B. False

22. A good measure of Solvency is the Current Ratio.

- A. True
- B. False

23. Refinancing a portion of an operating loan as a longer-term debt would improve the Liquidity of the business.

- A. True
- B. False

24. Refinancing a portion of an operating loan as a longer-term debt would improve the Solvency of the business.

- A. True
- B. False

25. Selling a piece of equipment that is no longer used would generate cash that could help meet the cash flow needs of the business.

- A. True
- B. False

26. Increasing cash flow does not necessarily increase net profit.

- A. True
- B. False

27. Which of the following are business marketing utilities?

a) Form b) Order c) Place d) Shape e) Time f) Possession

- A. a, b, d, e, and f
- B. a, c, e and f
- C. b, c, d and f
- D. b, c, d, e and f
- E. c and d

28. The law of demand says that a consumer will buy more at

- A. lower prices.
- B. higher prices.
- C. same prices.
- D. any price.

29. The most common element of federal government programs has been to
- A. lower production.
 - B. have a food reserve.
 - C. provide price support.
 - D. fund research activities.
30. Price movement occurs over time because
- a) demand shifts. b) supply shifts. c) prices rise. d) prices fall.**
- A. a and b
 - B. b and c
 - C. c and d
 - D. a and c
31. Producers can protect prices by the use of
- a) cash contracts. b) basis contracts. c) futures contracts. d) option contracts**
- A. a, b and c
 - B. a, b and d
 - C. a, c and d
 - D. b, c and d
32. Under the cash method of accounting, an expense becomes a deductible expense if the bill is owed but has not yet been paid.
- A. True
 - B. False
33. Under the cash method of accounting, income that arrives in the mail at the end of the year does not have to be claimed as income for the year if it is not deposited into the bank account until the next business year.
- A. True
 - B. False
34. Under the cash method of accounting, income is considered to be constructively received if it is available to you without restriction.
- A. True
 - B. False
35. In order to figure gain or loss on the sale of a capital asset, you must often make adjustments to the original basis of the asset.
- A. True
 - B. False
36. In the case of Commodity Credit Corporation (CCC) loans on grain, the farmer can choose to have them treated either as a sale of grain, or as a loan for tax purposes.
- A. True