

2010 Iowa Farm Business Management Career Development Event

INDIVIDUAL EXAM (150 pts.)

Select the best answer to each of the 75 questions to follow (2 pts. ea.). Code your answers on the answer sheet provided. Be sure to erase completely any answers that you change. You have 120 minutes (maximum) to complete this exam. Section A contains 25 questions over 'Principles of Economics and Management'. Section B contains 50 questions over 'Financial Statements, Records Analysis, as well as Marketing and Risk Management'.

Section A. Principles of Economics and Management (Questions #1-#25)

1. Goods that are purchased from a foreign country are known as:
 - a. tariffs
 - b. imports
 - c. exports
 - d. foreign exchange

2. This curve in a graph shows the different combinations of price of a product and the amount that buyers are willing and able to buy:
 - a. demand
 - b. supply
 - c. consumption
 - d. market

3. If a corn farmer has a yield of 200 bushels per acre, total fixed costs of \$150 per acre and total variable costs of \$250 per are, what is this farmer's total cost per bushel (i.e. average total cost)?
 - a. \$0.50
 - b. \$1.25
 - c. \$1.50
 - d. \$2.00

4. If Company A is owed money by a third party for products received, this would likely show up as the following on Co. A's balance sheet:
 - a. an account payable
 - b. a liability
 - c. an account receivable
 - d. debt

5. Wages earned and income taxes withheld are reported to a wage earner annually on this tax form:
 - a. 1040 or 1040A
 - b. 1099
 - c. WD40
 - d. W-2

6. Which of the following equations represents a linear relationship between y and x ?
- $y = 100/x$
 - $y = 100 + x$
 - $y = 100 + x^2$
 - $y = 100X + x^2$
7. Which of the following is an opportunity cost of owning and operating farm ground?
- the lost interest
 - the lost rent
 - the lost soil
 - a and b
8. Profit for a business is calculated as:
- total revenues – total costs
 - total assets – total liabilities
 - price of the output \times quantity sold
 - cash receipts – cash expenses
9. A projected cash flow statement for a business shows future:
- non cash needs
 - cash outflows and cash inflows
 - profits
 - projects
10. The amount of a business owner's money or capital that he/she currently has invested in their own business is referred to as:
- debt capital
 - current assets
 - equity
 - liabilities
11. Costs that do NOT vary with short-run changes in production for a business firm are these costs:
- fixed
 - opportunity
 - marginal
 - controllable
12. A business firm owner and risk taker is often called:
- a socialist
 - a gambler
 - an entrepreneur
 - a corporation

13. Which of the following is most likely to increase the demand for pork (i.e. shift the demand curve for pork to the right)?
- increase in the supply of pork
 - increase in the price of a substitute product, such as beef
 - decrease in consumers' incomes so they go out to eat less often
 - increase in the cost of livestock feed used to produce pork
14. What 'balances' on a balance sheet?
- equity capital and debt capital
 - assets and liabilities
 - assets and claims on assets (= liabilities + equity)
 - cash inflows and cash outflows
15. The time value of money concept says a dollar to be received in the future is:
- worth less than a dollar to be received today
 - worth more than a dollar to be received today
 - worth the same as a dollar to be received today
 - dependent on the value of one's time (i.e. wage rate)
16. An item today costs \$4.50 that cost \$3.00 last year. What was the percentage change in the cost of this item over the past year?
- +33%
 - 50%
 - +50%
 - +100%
17. According to economic concepts and principles, an activity is worth doing if:
- it generates additional revenue
 - the incremental benefits exceed the incremental costs
 - there is no risk involved
 - you get paid to do it
18. The three most general forms of business are corporations, partnerships, and:
- sole proprietorships
 - charities
 - government-run operations
 - casinos
19. In production in the short-run, the point where the marginal product of the input starts to decline is known as:
- the point of diminishing returns
 - the point of no return
 - the breakeven point
 - the point where total output starts to decline

20. In production, the 'economic' factors of production typically include:
- fixed assets, current assets, intermediate assets
 - people, money, and time
 - land, labor, capital, and management
 - weather, technology, and input prices
21. Depreciation, for business taxation purposes, is:
- not a deductible expense because it is not a cash expense
 - taxed at a capital gains rate
 - added to net income to determine gross income
 - a deductible expense
22. There would most likely be an increase in a firm's average variable cost if the firm expands output by one unit and the marginal cost of producing that last unit:
- exceeds the firm's previous average variable cost
 - is negative
 - is greater than the marginal cost of producing the previous unit
 - exceeds the firm's fixed costs per unit of output
23. Future borrowing needs for a business during a specific month in the future can best be determined by looking at a projected
- time value of money table
 - profit and loss statement
 - balance sheet
 - cash flow statement
24. A farm firm in a 30% tax bracket would most likely see its after-tax profit change by how much if it's before-tax cost (of a tax-deductible item) increases by \$1.00?
- \$0.30
 - \$0.70
 - \$1.30
 - \$0.00
25. In economics, a 'market-clearing' price at which quantity supplied equals quantity demanded is known as the:
- equilibrium price
 - world price
 - hidden price
 - black market price

**Section B. Financial Statements, Records Analysis, Marketing, Risk Management.
(Questions #26-#75)**

Use the attached net worth statement (balance sheet) and net farm income statement to answer questions #26-37.

26. What was this farm's net worth on January 1, 2010, using cost values for their assets?
- \$2,216,514
 - \$1,093,129
 - \$1,920,236
 - \$1,123,385
27. The farm's market value net worth changed by _____% from a year ago.
- + 20%
 - + 9%
 - + 17%
 - stayed the same
28. What percent of the farm's total liabilities are due and payable in the next 12 months?
- 11%
 - 36%
 - 55%
 - 66%
29. Using 'market' values, the farm's ratio of total debt to equity is:
- .57
 - .36
 - 1.76
 - .65
30. If FFA farm sold its farmland for its estimated market value on 1/1/2010, how much capital gain would they owe tax on?
- none
 - \$1,288,000
 - \$528,000
 - \$52,800
31. How much is this farm's working capital?
- \$587,955
 - \$390,101
 - \$197,854
 - \$6,092

32. From the Net Farm Income Statement, how much was this farm's Cash Net Farm Income, before any income or expense adjustments?
- \$82,635
 - \$610,614
 - \$553,012
 - \$57,602
33. How many \$ were taken out of the farm income for family living expenses in 2009 assuming this equals accrual net farm income less the change in cost value net worth?
- \$62,515
 - \$82,635
 - \$0
 - \$20,119
34. Based on the Net Farm Income Statement, which of the following were greater than zero (or positive) in adjusting net cash farm income to arrive at accrual net farm income?
- total income adjustments.
 - total expense adjustments.
 - both a and b.
 - neither a nor b.
35. From the Income Adjustment for crops held, we can assume that at the end of 2009, compared to the beginning of 2009, _____.
- crop prices were higher
 - they had more bushels stored
 - either (a) or (b), or both
 - neither (a) nor (b)

Use the attached cash flow budget projection to answer questions #36-42.

36. What is this farm's largest source of cash inflows?
- livestock sales
 - crop sales
 - capital asset sales
 - new loans
37. In which period does this farm project its largest net cash flow deficit?
- Jan.-Feb.
 - May-June
 - July-August
 - Nov.-Dec.

38. How much does FFA Farm need to borrow in order to achieve a positive ending cash balance of \$2,000 at the end of the January-February period?
- \$24,989
 - \$20,806
 - \$26,898
 - nothing
39. The projected ending cash balance at the end of any two-month period for FFA Farm is:
- always positive
 - always negative
 - the same as cash inflow minus cash outflow for that time period
 - the same as the beginning cash balance at the start of the next two-month period
40. What is FFA Farm's projected net cash flow for 2010, based on the cash flow budget?
- \$930,796
 - \$56,786
 - \$874,010
 - \$30,742
41. When does FFA farm expect to have to pay its' cash rent?
- half in the spring, half following harvest
 - all in the spring
 - all following harvest
 - all in July-August
42. "Purchase of capital assets" could be for:
- feeder cattle
 - real estate taxes
 - seed
 - a new machine shed
43. In which periods could FFA farm be able to make a payment to reduce their operating loan balance?
- Jan.-Feb.
 - May-June only
 - Nov.-Dec. only
 - May-June, Sept.-Oct. and Nov.-Dec.
44. How much cash income does this farm expect to receive from crops sold after harvest in 2010? They raise only corn and soybeans.
- \$299,836
 - \$37,309
 - \$85,909
 - \$95,760

45. What expense category is found in a Net Farm Income Statement but not in a cash flow budget?
- a. family living expenses
 - b. accounts payable
 - c. hired labor
 - d. depreciation

Refer to the attached “Beef Cow-Calf” budget for One Cow Unit to answer questions #46-50.

46. How much profit for one cow unit is projected?
- a. \$155.55
 - b. \$621.73
 - c. \$25.55
 - d. \$647.28
47. What price per pound is needed from calf sales to just pay for variable costs, after netting out income from sales of cull cows?
- a. \$.58
 - b. \$1.09
 - c. \$.86
 - d. \$.78
48. If the price of hay rises to \$85 per ton, how much will total costs per cow unit rise (all else equal)? Ignore interest.
- a. \$15.00
 - b. \$147.00
 - c. \$178.50
 - d. \$31.50
49. How much is the projected feed cost per pound of beef sold in this budget? Include both calves and cull cows.
- a. \$.85
 - b. \$.45
 - c. \$.26
 - d. \$.22
50. How much is the projected total return (labor expense + profit) to labor per cow unit?
- a. \$25.55
 - b. \$96.00
 - c. \$121.55
 - d. \$251.55

Refer to the attached “Corn following Soybeans” budget to answer questions 51-55.

51. How much is the expected return over variable costs per acre of corn (note there are fixed, variable, and total cost columns)?
- \$107.36
 - \$708.75
 - \$384.11
 - \$3.85
52. What selling price is needed to just break even (profit = 0), after netting out the USDA payment?
- \$3.44
 - \$3.85
 - \$3.24
 - \$1.66
53. Which of the following does not have a fixed cost per acre component?
- seed and chemicals
 - land rent
 - hired labor
 - harvest machinery
54. What is their breakeven yield after netting out the USDA payment?
- 175 bu./acre
 - 156 bu./acre
 - 165 bu./acre
 - 147 bu./acre
55. If the farmer agreed to pay the landowner cash rent equal to 35% of the crop value (excluding USDA payments), how much would the rent be for the expected price and yield?
- \$236
 - \$200
 - \$248
 - \$265

Questions #56-75 deal mainly with marketing and risk management.

56. A soybean farmer who uses soybean futures contracts in an attempt to protect against future soybean price declines is referred to as:
- a speculator
 - a hedger
 - a forward contractor
 - a general contractor

57. A farmer who purchases 'crop insurance' would typically be trying to protect himself/herself against:
- price risks
 - basis risks
 - production risks
 - health risks associated with producing crops
58. Basis in futures market is the difference between:
- a cash price and a non cash price
 - a cash price today and a cash price in the future
 - two different futures prices for the same commodity
 - a futures contract price and a cash price
59. The right to sell a futures contract at a specified price is known as:
- a call option
 - a short futures position
 - a put option
 - a long futures position
60. If a marketer is said to be 'bullish', they
- are wanting to sell
 - expect prices to increase
 - expect prices to decrease
 - are greedy
61. Which of the following is most likely to be known at the time an option is purchased?
- its strike price
 - its premium
 - its expiration date
 - all of the above
62. Marginal revenue means the same as:
- incremental profit
 - marginal profit
 - additional income
 - low-quality sales
63. The funds deposited with a broker to fund the trading of futures contracts are called:
- basis money
 - fast money
 - commission fees
 - margin money

64. When Farmer Jones agrees in May to sell some of his corn in November to the local ethanol plant for a delivered price of \$3.50 per bushel, this is an example of:
- a forward contract
 - an options contract
 - a futures contract
 - a basis contract
65. If the expected corn basis in December in a given area is \$0.30 per bushel, one would expect in December:
- the cash price to = \$3.50 if the futures price = \$3.20
 - the January futures price to = \$3.50 if the December futures price = \$3.20
 - the cash price to = \$2.90 if the futures price = \$3.20
 - the cash price to = \$0.30 above what it was earlier in the year
66. A non hedged, cash sale of soybeans will likely be a better marketing alternative than using futures contracts if cash prices of soybeans:
- increase a lot
 - decrease a little
 - decrease a lot
 - b and c
67. If a corn farmer received a 5 cent per bushel 'patronage refund' from his/her grain buyer, he/she likely sold their corn to:
- the government
 - his/her bank
 - a cooperative
 - the local elevator on contract
68. In March, a farmer sells December hog futures at \$40.00 to hedge future hog sales. In December, the farmer buys back the futures contract at \$36.00 and sells hogs in the cash market at \$37.00. What is the net price received by the farmer (ignoring all commission fees)?
- \$36.00
 - \$33.00
 - \$41.00
 - \$39.00
69. Farmers who sell their product to local farmers markets, restaurants, and grocery stores are said to be engaged in this type of marketing:
- illegal
 - direct
 - organic
 - integrated

70. Which of the following is least likely to affect the profit-maximizing quantity of wheat to produce per acre by Cy, a wheat farmer?
- price of wheat
 - variable chemical costs
 - variable fertilizer costs
 - what Cy paid for the land
71. A breakeven price is one that covers:
- fixed costs only
 - cash costs only
 - variable costs only
 - all costs
72. The specific price at which a put option buyer has obtained the right to sell is called:
- the strike price
 - the premium
 - the basis
 - the price floor
73. Niche marketing generally means the sale of:
- niches
 - a specialized product to specific buyers
 - a product during a very limited time frame
 - a general product that is sold similarly by a large number of other sellers.
74. The general economic term used to describe where and when, buyers and sellers interact regarding a specific product is called:
- an auction
 - a contract
 - a market
 - arbitrage
75. The ultimate user of a product is called:
- the government
 - the market
 - the producer
 - the consumer

Farm Financial Statements

Ag Decision Maker -- Iowa State University Extension

Net Worth Statement

Name **FFA FARM**

Date

01/01/10

Farm Assets	Cost Value	Market Value	Farm Liabilities	Market Value
Current Assets			Current Liabilities	
Checking and savings accounts	\$6,092	\$6,092	Accounts payable	\$29,540
Crops held for sale/feed	\$373,000	\$373,000	Farm taxes due	\$9,344
Investment in growing crops			Current notes and credit lines	\$230,554
Commercial feed on hand	\$9,100	\$9,100	Accrued interest - short	\$9,216
Prepaid expenses	\$12,750	\$12,750	- fixed	\$37,388
Market livestock	\$187,013	\$187,013	Due in 12 months - fixed	\$74,059
Supplies on hand			Other current liabilities	
Accounts receivable			Total Current Liabilities	\$390,101
Other current assets				
Total Current Assets	\$587,955	\$587,955		
Fixed Assets			Fixed Liabilities	
Unpaid coop. distributions	\$14,435	\$14,435	Notes and contracts remainder (Sched. Q)	\$703,028
Breeding livestock	\$50,375	\$50,375	Machinery	
Machinery & equipment	\$313,932	\$455,600	Land	
Buildings/improvements	\$489,817	\$617,000	Other fixed liabilities	
Farmland	\$760,000	\$1,288,000	Total Fixed Liabilities	\$703,028
Farm securities, certificates				
Other fixed assets				
Total Fixed Assets	\$1,628,559	\$2,425,410		
A) Total Farm Assets	\$2,216,514	\$3,013,365	B) Total Farm Liabilities	\$1,093,129
C) Farm Net Worth		\$1,920,236		
D) Farm Net Worth Last Year	\$1,060,869	\$1,761,680		
E) Change in Farm Net Worth	\$62,516	\$158,556		

Net Farm Income Statement

Ag Decision Maker -- Iowa State University Extension

See the [Financial Files](#) for more information.

Net Farm Income Statement (Profit and Loss)

Name	FFA FARM	Year	2009		
Income					
Cash Income		Income Adjustments		Ending	Beginning
Sales of livestock bought for resale		Crops held for sale or feed (Sched. A)	\$373,000	\$329,750	
Sales of market livestock, grain, etc.	\$546,200	Market livestock (Sched. E)	\$187,013	\$163,590	
Cooperative distributions paid		Accounts receivable (Sched. G) and other current assets			
Agricultural program payments	\$34,562	Unpaid coop. distributions (Sched. H)	\$14,435	\$14,435	
Crop insurance proceeds		Breeding livestock (Sched. I)	\$50,375	\$50,625	
Custom hire income		Subtotal of Adjustments	\$624,823	\$558,400	
Other cash income	\$5,672	Value of Home Used Production (d)			
Sales of breeding livestock	\$24,180	Gross Farm Revenue (e)			\$677,037
Total Cash Income (a)	\$610,614				
Expenses					
Cash Expenses		Expense Adjustments		Beginning	Ending
Car and truck expenses	\$4,899	Investment in growing crops	\$5,850		
Chemicals	\$40,760	Commercial feed on hand	\$5,600	\$9,100	
Conservation expenses		Prepaid expenses		\$12,750	
Custom hire		Supplies on hand			
Employee benefits	\$1,780		Ending	Beginning	
Feed purchased	\$104,310	Accounts payable	\$29,540	\$36,589	
Fertilizer and lime	\$55,623	Farm taxes due	\$9,344	\$8,480	
Freight, trucking	\$12,290	Accrued interest	\$46,604	\$49,291	
Gasoline, fuel, oil	\$23,650	Subtotal of Adjustments	\$96,938	\$116,210	
Insurance	\$6,500		g	h	
Interest paid	\$85,511	Depreciation		\$60,661	
Labor hired	\$28,000	Gross Farm Expenses		\$594,401	
Pension and profit-share plans		Accrual Net Farm Income			\$82,635
Rent or lease payments	\$85,600				
Repairs, maintenance	\$12,333				
Seeds, plants	\$28,560				
Storage, warehousing					
Supplies purchased	\$2,375				
Taxes (farm)	\$8,980				
Utilities	\$17,358				
Vet. fees, medicine, breeding	\$11,623				
Other cash expenses	\$4,560				
Livestock purchased	\$18,300				
Total Cash Expenses (f)	\$553,012				

Beef Cow-Calf (one cow unit)

Ag Decision Maker -- Iowa State University Extension

Hay and Pasture; Calves Sold

Production Efficiencies

Calf weaning rate	94%
Calf death loss	0%
Cow death loss	2%
Cow replacement rate	20%

Income

	Price	Unit	Quantity	Unit		Total
Calves	\$1.15	per lb	x	575 lbs	x 0.74 head	= \$489.33
Cull cows	\$0.65	per lb	x	1350 lbs	x 0.18 head	= 157.95
Gross Income						\$647.28

Variable Costs

	Price	Unit	Quantity	Unit		
Feed Costs						
Pasture	\$35.00	per acre	x	2.5 acres	=	\$87.50
Pasture fert. & misc. costs	\$15.00	per acre	x	2.5 acres	=	37.50
Corn	\$3.00	per bu	x	4 bu	=	12.00
Modified distiller grain		per ton	x	0 tons	=	0.00
Salt and minerals	\$0.07	per lb	x	60 lbs	=	4.20
Supplement & minerals		per lb	x	0 lbs	=	0.00
Alfalfa - brome hay	\$70.00	per ton	x	2.1 tons	=	147.00
Corn stalks	\$2.50	per acre	x	4 acres	=	10.00
Other						0.00
Total Feed Costs						\$298.20

Veterinary & health						\$35.00
Machinery, equipment, fuel & repairs						26.00
Marketing & miscellaneous						25.00
Other						0.00
Interest on variable costs	6%		x	6 months	=	11.53
Labor	\$12.00	per hr	x	8 hours	=	96.00
Total Variable Costs						\$491.73

Income Over Variable Costs \$155.55

Fixed Costs

Machinery, equipment, housing & fences	\$55.00
Interest & insurance on breeding herd	65.00
Bull depreciation/replacement	10.00
Total Fixed Costs	\$130.00

Total All Costs \$621.73

Profit

Corn following Soybeans

Gross revenue	<u>Price</u>	<u>Yield</u>	
Expected selling price and yield	\$3.85	175	\$673.75
Expected USDA payments			<u>\$35.00</u>
Total			\$708.75

	<u>Cost per Acre</u>		<u>Total</u>
	<u>Fixed</u>	<u>Variable</u>	
Preharvest machinery			
Tandem disk	\$3.30	\$2.30	\$5.60
Apply nitrogen	\$4.20	\$4.10	\$8.30
Field cultivate	\$2.10	\$2.20	\$4.30
Plant	\$4.00	\$3.20	\$7.20
Cultivate	\$1.40	\$1.50	\$2.90
Spray	\$1.20	\$1.00	\$2.20
Custom hire	\$0.00	\$0.00	\$0.00
Other	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total per acre	\$16.20	\$14.30	\$30.50

Seed, chemicals, etc.			
Seed		\$93.90	\$93.90
<i>cost per 1000 kernels</i>	\$3.13		
<i>kernels per acre</i>	30,000		
Nitrogen		\$42.90	\$42.90
<i>price per pound</i>	\$0.33		
<i>pounds per acre</i>	130		
Phosphate		\$22.80	\$22.80
<i>price per pound</i>	\$0.38		
<i>pounds per acre</i>	60		
Potash		\$21.50	\$21.50
<i>price per pound</i>	\$0.43		
<i>pounds per acre</i>	50		
Lime (annual cost)		\$7.00	\$7.00
Herbicide		\$37.80	\$37.80
Crop insurance		\$20.00	\$20.00
Miscellaneous		\$9.00	\$9.00
Interest on preharvest variable costs		\$12.56	\$12.56
<i>length of period (months)</i>	8		
<i>interest rate</i>	7.0%		
Total		\$267.46	<u>\$267.46</u>

Harvest machinery			
Combine		\$15.30	\$8.20
Grain Cart		\$4.40	\$2.30
Haul		\$3.50	\$5.25
<i>Fixed- price per bushel</i>	\$0.02		
<i>Variable- price per bushel</i>	\$0.03		
Drying		\$7.00	\$26.25
<i>Fixed- price per bushel</i>	\$0.04		
<i>Variable- price per bushel</i>	\$0.15		
Handling		\$1.75	\$0.88
<i>Fixed- price per bushel</i>	\$0.01		
<i>Variable- price per bushel</i>	\$0.005		
Custom hire		<u>\$0.00</u>	<u>\$0.00</u>
Total per acre		\$31.95	\$42.88

Labor			
Operator		\$28.60	\$28.60
<i>Hours</i>	2.6		
<i>Rate per hour</i>	\$11.00		
Hired		\$0.00	\$0.00
<i>Hours</i>	0		
<i>Rate per hour</i>	\$0.00		
Total		\$28.60	<u>\$28.60</u>

Land			
Cash rent		\$200.00	\$200.00

Total fixed, variable and all costs			
Per acre	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>
Per bushel	\$276.75	\$324.64	\$601.39
	\$1.58	\$1.86	

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INDIVIDUAL EXAM KEY

Section A. Principles of Economics and Management

1. B
2. A
3. D
4. C
5. D
6. B
7. D
8. A
9. B
10. C
11. A
12. C
13. B
14. C
15. A
16. C
17. B
18. A
19. A
20. C
21. D
22. A
23. D
24. B
25. A

Section B. Financial Statements, Records Analysis, Marketing, Risk Management

26. D Cost value net worth = total farm assets (cost value) – total farm liabilities
= \$2,216,514 - \$1,093,129 = \$1,123,385
27. B % market value net worth increase = change in farm net worth (market)/farm net
worth last year x 100
(\$158,556 / \$1,761,680) (100) = 9%
28. B (Total current liabilities / total liabilities) x 100
= (\$390,101 / \$1,093,129) = 36%

29. A Debt-to-equity ratio = total farm liabilities divided by farm net worth (market value)
= $\$1,093,129 / \$1,920,236 = .57$
30. C Capital gain = market value of land – cost value of land
= $\$1,288,000 - \$760,000 = \$528,000$
31. C Working capital = current assets – current liabilities
 $\$587,955 - \$390,101 = \$197,854$
32. D Cash net farm income before adjustments = total cash income – total cash expenses
= $\$610,614 - \$553,012 = \$57,602$
33. D Family living withdrawal = accrual net farm income – change in cost value net worth
= $\$82,635 - \$62,516 = \$20,119$
34. C Gross farm income > cash income and Gross farm expenses > cash expenses which means both positive income and expense adjustments were made
35. C Prices could be higher and/or more bushels could be stored.
36. A Livestock sales (\$574,560)
37. A Projected net cash flow is most negative in January-February (-\$24,898)
38. B negative net cash flow minus beginning cash balance plus desired ending cash balance
= $\$24,898 - \$6,092 + \$2,000 = \$20,806$
39. D Ending cash balance one period = beginning cash balance next period
40. B Net cash flow = \$56,786.
41. A \$50,000 in March-April and \$50,000 in November-December.
42. D Only a machine shed is a “capital” asset.
43. D In the periods for which they project a positive net cash flow.
44. C 2010 crop sales projected for after harvest, Nov.-Dec. = \$85,909. Sales earlier in the year would be prior to harvest of the 2010 crop.
45. D Depreciation is not a cash expense.

46. C Profit = gross income – total all costs
 $\$647.28 - \$621.73 = \$25.55$
47. D = (total variable costs – cull cow sales)/(calf weight x no. sold)
 $(\$491.73 - \$157.95) / (575 \text{ lb} \times .74 \text{ head}) = \$.78$
48. D change in price of hay x tons fed
 $(\$85 - \$70) \times 2.1 \text{ tons} = \31.50
49. B Total feed costs / total pounds sold
 $\$298.20 / [575 \text{ lb.} \times .74 \text{ hd.}] + (1,350 \text{ lb.} \times .18 \text{ hd.})] = \$.45$
50. C Profit + labor cost
 $\$25.55 + \$96.00 = \$121.55$
51. C Total revenue minus total variable costs = return over variable costs
 $\$708.75 - \$324.64 = \$384.11$
52. C (Total costs – USDA payment) / bushels to sell
 $= (\$601.39 - \$35.00) / 175 \text{ bu.} = \3.24
53. A Note seed and chemical costs are all variable at \$267.46 per acre.
54. D Breakeven yield = (total all costs – USDA payment) / selling price
 $= (\$601.39 - \$35.00) / \$3.85 = 147 \text{ bu/acre}$
55. A Cash rent = expected price x expected yield x 35%
 $= \$3.85 \times 175 \text{ bu.} \times 35\% = \236 per acre
56. B
57. C
58. D
59. C
60. B
61. D
62. C
63. D
64. A
65. C
66. A
67. C
68. C
69. B
70. D
71. D
72. A

- 73. B
- 74. C
- 75. D