

2021 State FFA Convention
Farm Business Management CDE Exam

1. If a producer wants to improve working capital, which of these changes **will not** help?
 - A. Reduce family living withdrawals
 - B. Sell grain and pay off current operating debt
 - C. Reduce cash capital purchases
 - D. Refinance operating debt with long term financing

2. Which of the following statements about a balance sheet **is** true?
 - A. The balance sheet shows profitability over time.
 - B. The balance sheet provides insight on whether a farm can pay their upcoming obligations.
 - C. The balance sheet demonstrates repayment capacity of the farm.
 - D. All of the above are correct.

3. The deduction on farm taxes related to expensing the purchase cost of machinery and farm buildings over the asset's expected life is called:
 - A. Appreciation
 - B. Operating cost
 - C. Depreciation
 - D. Expensing

4. A farmer who wants the right but not the obligation to buy a specific commodity at a specific price level would use a:
 - A. Call Option Contract
 - B. Hedge to Arrive Contract
 - C. Cash Forward Contract
 - D. Price Later Contract

5. Which asset type **does not** depreciate?
 - A. Machinery and equipment
 - B. Titled vehicles
 - C. Land
 - D. Buildings and improvements
 - E. None of the above assets depreciate

6. Which of these is often a major drain on working capital?
- A. Family living expenses
 - B. Capital purchases made with cash
 - C. Low profitability for the year
 - D. All of the above are drains on working capital
 - E. None of the above are drains on working capital
7. Westend Poultry Farms, located in the Crabtree's home county, raises three million broilers annually. In addition, Westend Poultry Farms owns the mill which provides feed for the birds, owns the processing facility, and markets the dressed birds to retail grocery stores. This type of business structure is known as:
- A. Vertical integration
 - B. Horizontal integration
 - C. A marketing cooperating
 - D. A supply cooperative
8. One of the most important things for a beginning farmer to consider when they start farming is:
- A. Purchasing a farm
 - B. Purchasing equipment
 - C. Set goals to help define the direction of the farm
 - D. Secure financing
9. Net worth on a balance sheet is calculated by:
- A. Subtracting total liabilities from total assets
 - B. Subtracting total expense from total revenue
 - C. Subtracting uses of cash for the year from sources of cash for the year.
 - D. None of the above
10. Which of the following is **not** one of the basic farm financial statements?
- A. Monthly bank statement
 - B. Balance sheet
 - C. Income statement
 - D. Statement of cash flows

11. When analyzing a statement of cash flows, a positive net cash flow **always** means the farm was profitable for the period.
- A. True
 - B. False
12. Which tax form do farmers specifically file to report the income and expenses related to their farming operation for the year?
- A. Schedule F
 - B. Schedule C
 - C. Schedule E
 - D. Schedule Ag
13. Which of the following is a type of risk a farming operation is trying to manage?
- A. Production risk
 - B. Price or market risk
 - C. Financial risk
 - D. Legal risk
 - E. All of the above are potential risks for a farming operation
14. The law of demand states that a consumer will buy less at
- A. Lower prices
 - B. Higher prices
 - C. Same prices
 - D. Any prices
15. Someone who is bullish on market prices thinks prices will
- A. Stay steady
 - B. Go higher
 - C. Go lower
 - D. None of the above
16. When a farm has employees hired to work on their farm, the farm **must** deduct which of these out of the employee's paycheck?
- A. Tax withholdings
 - B. Uniform expenses
 - C. Health Insurance
 - D. A & B
 - E. All of the above

17. Which of these financial statements measures the probability of the business over a period of time, usually a year?
- A. Balance sheet
 - B. Income statement
 - C. Statement of owner's equity
 - D. Statement of cash flows
18. Which of these financial statements shows how cash flowed through the business during the year?
- A. Balance sheet
 - B. Income statement
 - C. Statement of owner's equity
 - D. Statement of cash flows
19. Planting a combination of corn, soybeans and raising beef cattle is an example of which risk management strategy?
- A. Specialization
 - B. Diversification
 - C. Loss minimization
 - D. Risk Transfer
20. Which of the following statements about the cash method of accounting is **true**?
- A. The cash method of accounting more accurately reports true net income for the farm.
 - B. The cash method of accounting is more complicated than the accrual adjusted accounting system.
 - C. The cash method of accounting reports receipts and expenditures when they are received or paid.
 - D. Inventories are included as cash with the cash method of accounting.
21. Under the cash method of accounting, a bill that is owed at year end can be considered an expense in this tax year, even though the farmer will pay the bill next year. This is allowed because the farmer intends to pay cash for the bill in January (next tax year).
- A. True
 - B. False

22. Farmer Jones can either sell his corn or feed it to his cattle. In deciding which alternative will yield the highest profit, he should compare:
- A. The price of corn versus the price of cattle.
 - B. The price of corn minus hauling costs versus the increase in value that his cattle will have after eating the corn.
 - C. The cost of hauling the corn to the elevator versus the cost of hauling heavier cattle to market.
 - D. The current price of corn versus the cost of storing it for six months.
23. Accrual accounting:
- A. Records income when cash is received and expenses when cash is paid
 - B. Records income when earned and expenses when incurred, even when no cash has changed hands.
 - C. Is not recommended by accountants
 - D. Is illegal accounting method for farm operations.
24. The new crop futures month for soybeans is considered to be
- A. September
 - B. November
 - C. December
 - D. May
25. If a farmer discovered she had 1,000 less bushels of soybeans stored at year end than she had estimated when she calculated her net farm income for the year; this would result in:
- A. Raising her actual cash net farm income for the year
 - B. Lowering her actual cash net farm income for the year
 - C. Raising her actual accrual net farm income for the year
 - D. Lowering her actual accrual net farm income for the year
26. Which is the first level of government that could govern how your land is used?
- A. federal
 - B. state
 - C. county
 - D. township

27. Which of these ratio types can help a farm business analyze its ability to meet current financial obligations in the near term?
- A. Liquidity
 - B. Solvency
 - C. Profitability
 - D. Repayment Capacity
 - E. Efficiency
28. The price difference between the local cash market price and the nearby futures price is called
- A. Basis
 - B. Cost
 - C. Floor
 - D. Ceiling
29. Which of these ratio types can help a farm business measure its ability to repay term debts on time?
- A. Liquidity
 - B. Solvency
 - C. Profitability
 - D. Repayment Capacity
 - E. Efficiency
30. Which of these ratio types can help a farm business measure its overall ability to pay all debts, if the business was sold tomorrow?
- A. Liquidity
 - B. Solvency
 - C. Profitability
 - D. Repayment Capacity
 - E. Efficiency
31. Which of these ratio types can help a farm business determine how effectively the business uses assets to generate income?
- A. Liquidity
 - B. Solvency
 - C. Profitability
 - D. Repayment Capacity
 - E. Efficiency

32. Which of these ratio types can help a farm business determine if it is profitable, by looking at the difference between the value of goods produced versus the cost of the resources used in producing those goods?

- A. Liquidity
- B. Solvency
- C. Profitability
- D. Repayment Capacity
- E. Efficiency

33. Which of these operations possesses a stronger liquidity position?

	<u>Farm A:</u>	<u>Farm B:</u>
Current ratio	2.1	0.9
Working capital (WC)	\$250,000	(\$25,000)
WC to Gross Revenues	40%	-5%

- A. Farm A
- B. Farm B
- C. Both have strong liquidity positions
- D. Neither have strong liquidity positions

34. Which of these operations possesses a stronger solvency position?

	<u>Farm C:</u>	<u>Farm D:</u>
Debt to Asset ratio	63%	15%

- A. Farm C
- B. Farm D
- C. Both have strong solvency positions
- D. Neither have strong solvency positions

35. Which of these operations has demonstrated stronger profitability for the year?

	<u>Farm E:</u>	<u>Farm F:</u>
Rate of return on farm assets	0%	20%
Rate of return on farm equity	-5%	30%
Operating profit margin	-2%	40%

- A. Farm E
- B. Farm F
- C. Both have strong profitability
- D. Neither have strong profitability

36. Which of these operations has demonstrated a stronger repayment capacity for the past year?

	<u>Farm G:</u>	<u>Farm H:</u>
Term debt coverage ratio	2.5	0.75

- A. Farm G
- B. Farm H
- C. Both have strong repayment capacity
- D. Neither have strong repayment capacity

37. Which of these operations has demonstrated stronger financial efficiency for the past year?

	<u>Farm I:</u>	<u>Farm J:</u>
Operating expense ratio	90%	55%
Net farm income ratio	2%	35%
Asset turnover ratio	5%	50%

- A. Farm I
- B. Farm J
- C. Both show strong financial efficiency
- D. Neither show strong financial efficiency

38. A banker loaning money to a farm operation often requires a cash flow projection when considering the farmer's loan request. Which of these is a reason the lender requires a cash flow projection?

- A. Review profitability of the farm operation for the last 5 years.
- B. Collect data to complete a net worth statement.
- C. Reduce the farmer's chance of obtaining other loans.
- D. Evaluate the expected loan repayment capacity for the coming year.

39. You have secured a loan and now have the money to buy one-quarter (1/4) section of Minnesota farmland. How many acres will you be purchasing?

- A. 160
- B. 320
- C. 640
- D. 960

40. Renting cropland using a cash rent contract rather than using a production share rent contract, results in:
- A. More risk for the landlord and less risk for the tenant.
 - B. Less risk for the landlord and more risk for the tenant.
 - C. More risk for both the landlord and the tenant.
 - D. Less risk for both the landlord and the tenant.
41. A farmer rents an additional 160 acres of crop land for the year at a cash rental rate of \$225 per acre. This new land will be operated along with his current 800 acres of cropland and existing equipment. What effect will this additional land have on the farmer's costs?
- A. The additional land will increase fixed costs per acre.
 - B. The additional land will decrease fixed costs per acre.
 - C. The additional land will increase variable costs per acre.
 - D. The additional land will decrease variable costs per acre.
42. Lynn Cooper wants to know the rate of return earned on an investment. Lynn has a net worth of \$200,000 and liabilities of \$100,000. The return on farm assets is \$30,000. What is the rate of return on assets?
- A. 10%
 - B. 15%
 - C. 30%
 - D. 50%
43. Many corn farmers purchase crop revenue insurance to protect against adverse outcomes. This type of crop insurance helps to protect against which of the following?
- A. Low crop market prices and low yields
 - B. High crop market prices and high yields
 - C. Increases in production costs
 - D. Failure of grain buyer to make a prompt payment upon delivery
44. Which type of business would distribute patronage dividends?
- A. Sole proprietor
 - B. Limited partnership
 - C. Cooperative
 - D. Limited liability company

45. Selling through a farmer's market or roadside market is called what type of marketing?
- A. Direct
 - B. Wholesale
 - C. Contract
 - D. Drive-through
46. When local basis decreases, it is an indication that
- A. Nearby futures prices are decreasing.
 - B. Local grain supply is short; the local market wants your grain.
 - C. Local demand is decreasing or local grain supplies are high; the local market doesn't need your grain.
 - D. You can't tell anything about the local market from basis.
47. The price at which a producer buys or sells an option in the futures market is the
- A. Local price
 - B. Futures price
 - C. Average price
 - D. Strike price
48. Which type of contract offered by many grain buyers allows the seller to lock in the futures price and leave the basis open?
- A. Put option
 - B. Cash Sale
 - C. Price Later
 - D. Hedge to Arrive
49. A farmer who sells futures contracts to protect production from price fluctuations is called a:
- A. Bear
 - B. Hedger
 - C. Bull
 - D. Speculator
50. What type of account is used to deposit funds with a broker when trading futures contracts?
- A. Deposit
 - B. Escrow
 - C. Margin
 - D. Loan

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Marketing:

See the chart below when referring to questions 1 - 9.

- Assume there is a \$.02 / bushel storage cost per month for any grain stored off the farm at the local coop. Storage fees for the month are assessed on the 1st day of every month.
- If the grain is stored on the farm there is no cost for storage.

Corn					Soybeans			
Month	Futures Price	Local Basis	Cash Price		Month	Futures Price	Local Basis	Cash Price
Sept 21	\$5.62	-\$0.25	\$5.37		Sept 21	\$13.63	-\$0.30	\$13.33
Dec 21	\$5.40	-\$0.32	\$5.08		Nov 21	\$13.20	-\$0.25	\$12.95
Mar 22	\$5.46		\$5.10		Jan 22	\$13.17	-\$0.20	
May 22	\$5.49	-\$0.42	\$5.07		Mar 22	\$12.91	-\$0.20	\$12.71
July 22	\$5.49	-\$0.44			May 22		-\$0.25	\$12.58
Sept 22	\$5.01	-\$0.60	\$4.41		July 22	\$12.78		\$12.43

1. What month has the best corn basis if Farmer in the Field to looking to do a Basis Only contract for new crop corn in 2021?
 - a. December
 - b. March
 - c. May
 - d. July

2. What is the first month Farmer in the Field should refer to when looking to sell new crop soybeans in 2021?
 - a. September
 - b. November
 - c. January
 - d. March

3. Local basis is always negative across the United States. The local cash price can not be greater than the future's price.
 - a. True
 - b. False

4. Farmer in the Field does not have enough on farm storage available to store all his soybeans on the farm. What would the final price per bushel be if he sold his bushels on a forward cash contract today to be delivered in January 2022 and then stored his soybeans from harvest in November 2021 until delivery at the local coop?
 - a. \$12.97
 - b. \$13.17
 - c. \$12.91
 - d. \$13.11

5. Assuming Farmer in the Field has enough storage on his farm to store all his soybeans, he will receive more per bushel to store them until July 2022 instead of selling them right out of the field at harvest in 2021.
 - a. True
 - b. False

6. Farmer in the Field needs to store 20,000 bushels of soybeans at the local coop until he has them contracted for March 2022. He hauled them into the coop in November 2021 during harvest. There was free storage for the month of November in 2021. What will be the total storage cost for the bushels stored at the local coop?
 - a. \$0.08
 - b. \$8.00
 - c. \$160.00
 - d. \$1,600.00

7. What is the local basis for corn for March of 2022?
 - a. -\$0.32
 - b. -\$0.36
 - c. \$0.36
 - d. This can't be calculated

8. What is the current local cash price for corn to be delivered in July 2022?
 - a. \$5.49
 - b. \$5.07
 - c. \$5.01
 - d. \$5.05

9. What is the futures price for soybeans for May of 2022?
 - a. \$12.83
 - b. \$12.58
 - c. \$12.33
 - d. \$12.71

10. If Farmer in the Field wanted to contract his new crop corn today and had the ability to store all his corn on the farm, what month should he contract his corn to receive the most per bushel?
- a. December 21
 - b. March 22
 - c. May 22
 - d. July 22

Balance Sheets:

Use the **1.1.20** and **1.1.21 balance sheets** provided for Farmer in the Field to answer questions 11 - 21. These balance sheets are pages 1 to 10 of the reference materials packet.

11. Farmer in the Field's net worth decreased from 2020 to 2021?
- a. True
 - b. False
12. Calculate the current ratio for Farmer in the Field on **1.1.2021**.
- a. 4.58
 - b. 6.29
 - c. 0.22
 - d. 792,688
13. Calculate the working capital for Farmer in the Field on **1.1.2021**.
- a. \$632,693
 - b. -\$632,693
 - c. \$792,688
 - d. -\$792,688
14. What are the total current liabilities for Farmer in the Field on **1.1.2020**?
- a. \$538,621
 - b. \$221,550
 - c. \$500,757
 - d. \$501,955

15. How many total bushels of grain does Farm in the Field list on his **1.1.2021** balance sheet?
- a. 30,130 bu
 - b. 135,811 bu
 - c. 105,681 bu
 - d. 165,941 bu
16. Did Farmer in the Field's Total Debt to Asset ratio improve from 1.1.2020 to 1.1.2021?
- a. Yes
 - b. No
 - c. This information is unavailable
17. Farmer in the Field has no term debt listed on his **1.1.2021** balance sheet.
- a. True
 - b. False
 - c. This information is unavailable
18. What percentage of Prepaid Expenses and Supplies was seed on Farmer in the Field's **1.1.2020** balance sheet?
- a. 100%
 - b. 97%
 - c. 3%
 - d. This information is unavailable.
19. Farmer in the Field lists Land with a total market value of what on his **1.1.2021** balance sheet.
- a. \$1,679,978
 - b. \$ 79,000
 - c. \$ 75,425
 - d. \$ 0
20. The interest rate charged on Farmer in the Field's Line of Credit (LOC) was **higher** on 1.1.2020 balance sheet than it was on 1.1.2021 balance sheet.
- a. True
 - b. False
 - c. This information isn't available
21. Farmer in the Field's total Personal Liabilities **increased** between the 1.1.2020 balance sheet and the 1.1.2021 balance sheet.
- a. True
 - b. False
 - c. This information isn't available

Financial Analysis:

Use the **2020 Financial Analysis** provided to answer questions 22 - 55. The Financial Analysis is found on pages 11 to 17 of the reference materials packet.

Whole Farm related questions.

22. Gross Farm Income for Farmer in the Field was over \$1,000,000 in 2020?
- True
 - False
 - This information isn't available
23. Farmer in the Field had **positive** Earned Net Worth for the 2020 year?
- True
 - False
 - This information isn't available
24. Farmer in the Field's Earned Net Worth **increased** more than his Market Value Net Worth in 2020?
- True
 - False
 - This information isn't available
25. What was the Net Farm Income (before debts were forgiven) in 2020 for Farmer in the Field?
- \$ 292,022
 - \$ 328,688
 - \$ 769,703
 - \$1,061,724
26. How much did Working Capital **increase** for Farmer in the Field in 2020?
- \$792,688
 - \$632,693
 - \$159,995
 - \$159,995
27. What was Farmer in the Field's Net Cash Income for 2020?
- \$292,022
 - \$327,878
 - \$328,688
 - \$328,864

28. What percentage was soybean seed expense of total cash seed costs for Farmer in the Field in 2020?
- 5%
 - 31%
 - 69%
 - 14%
29. What was the total cash income received from all types of government program payments for Farmer in the Field in 2020?
- \$10,538
 - \$13,082
 - \$161,293
 - \$174,375
30. If Farmer in the Field **did not** receive any government program payment income in 2020, what would his Gross Cash Income have been?
- \$1,066,345
 - \$905,052
 - \$925,097
 - \$918,134
31. Farmer in the Field would have had **negative** Net Cash Income if he had not received any government program payment income in 2020?
- True
 - False
32. Which category had a **negative** inventory change for Farmer in the Field in 2020?
- Prepays and Supplies
 - Crops and Feed
 - Other Assets
 - Accrued Interest
33. Farmer in the Field had **more** cash on hand at the end of 2020 than he did at the beginning of 2020.
- True
 - False
 - This information isn't available

34. How efficient was Farmer in the Field in 2020? What percentage of his income went towards Operating Expenses for the year?
- a. 68.3%
 - b. 69.5%
 - c. 63.9%
 - d. 27.5%
35. The liquidity position for Farmer in the Field's operation **improved** during 2020.
- a. Yes
 - b. No
 - c. This information isn't available
36. Farmer in the Field had a **weak** profitability position in 2020.
- a. True
 - b. False
 - c. This information isn't available

Crop Enterprise Analysis related questions.

37. What percentage of Farmer in the Field's acres were cash rented in 2020?
- a. 0%
 - b. 49%
 - c. 51%
 - d. 100%
38. If Farmer in the Field would have produced 190 bushels of corn per acre, how many total bushels of corn would he have produced in 2020?
- a. 132,785 bu
 - b. 135,280 bu
 - c. 139,080 bu
 - d. 140,000 bu
39. Which crop enterprise was **more** profitable on a per acre basis for Farmer in the Field in 2020?
- a. Corn
 - b. Soybeans

40. If Farmer in the Field would have increased production and yielded 60 bushels of soybeans per acre, which crop enterprise would have been most profitable?
- Corn
 - Soybeans
41. What was Farmer in the Field's cost of production for corn, including direct and overhead expenses in 2020?
- \$3.28
 - \$3.53
 - \$2.78
 - \$3.16
42. What would have been the breakeven price on direct expenses for Soybeans if Farmer in the Field would have produced 58 bu / acre?
- \$7.77
 - \$7.31
 - \$7.05
 - \$6.63
43. Corn seed, fertilizer, and chemical comprise what percentage of total direct expenses on corn for Farmer in the Field in 2020?
- 24%
 - 44%
 - 41%
 - 22%

Planned vs. Actual related questions.

44. How much **more** Gross Cash Farm Income did Farmer in the Field actually receive in 2020 than what was originally planned?
- \$33,673
 - \$33,673
 - \$1,045,754
 - \$1,079,427
45. Farmer in the Field actually spent less on Capital Purchases than was planned in 2020.
- True
 - False

46. Farmer in the Field produced more bushels of corn than what was initially planned in 2020?
- True
 - False
47. What expense category was the largest **over** budget for Farmer in the Field in 2020?
- Interest
 - Repairs
 - Fuel & Oil
 - Fertilizer
48. Did Farmer in the Field borrow more or less money than planned for 2020?
- Less than expected
 - More than expected
 - Same as expected

Comparative Trend related questions.

49. What year did Farmer in the Field have the **best** yields for BOTH corn and soybeans?
- 2017
 - 2018
 - 2019
 - 2020
50. What year did Farmer in the Field have the **most** crop acres in production?
- 2017
 - 2018
 - 2019
 - 2020
51. How many dollars of working capital has Farmer in the Field **gained** since 2012?
- \$56,306
 - \$292,022
 - \$348,328
 - \$757,744

52. How many total acres were **harvested** by Farmer in the Field in 2019?
- a. 619
 - b. 1033
 - c. 1652
 - d. 1787
53. Farmer in the Field has had a positive repayment capacity and been able to meet all term debt obligations for the last five years as reported in the historical trends?
- a. True
 - b. False
 - c. This information isn't provided
54. Farmer in the Field has always cash rented all of his crop acres.
- a. True
 - b. False
 - c. This information isn't provided
55. When looking at the most recent 4 year, how many years did Farmer in the Field show solid profitability levels?
- a. One year
 - b. Two years
 - c. Three years
 - d. Four years

Statewide Trends:

Use the **2020 Statewide Annual Trend** information provided to answer questions 56 - 72. The statewide trend related information is found on pages 18 to 28 of the reference materials packet. Comparisons may be made to Farmer in the Field's performance as well. Use any of Farmer in the Field's balance sheet and financial analysis data as needed.

56. Farmer in the Field had better yields in 2020 than the average Southern Minnesota farm for both corn on cash rented ground and soybeans on cash rented ground.
- a. True
 - b. False
 - c. This information isn't provided

57. Over the past four years, which year had the highest average annual yield for corn acres on rented land in Southern Minnesota?
- 2017
 - 2018
 - 2019
 - 2020
58. How strong would you rate Farmer in the Field's Current Ratio at the end of 2020?
- Vulnerable (red)
 - Cautious (yellow)
 - Strong (green)
59. How strong would you rate Farmer in the Field's Operating Expense Ratio for 2020?
- Vulnerable (red)
 - Cautious (yellow)
 - Strong (green)
60. What percent does Fuel and Repairs comprise of the total amount each farmer spent in the greater community in 2020?
- 7.5%
 - 10%
 - 6.4%
 - 15.5%
61. According to the *2020 Annual Report – Executive Summary*, which year had the least amount of total direct and overhead expenses per acre for soybean production on rented land in Southern Minnesota?
- 2017
 - 2018
 - 2019
 - 2020
62. Based on the information provided in the *2020 Annual Report – Executive Summary*, how many times over the last 4 years did corn production on rented land in Southern Minnesota have a negative net return per acre?
- 1 year
 - 2 years
 - 3 years
 - 4 years

63. When comparing Farmer in the Field to the metrics provided in the *Year at a Glance* information, how does his 2020 year end, market based Debt to Asset Ratio compare to the 2020 average Southern Minnesota and State FBM Data?
- Above the State and Southern MN average
 - Below the State and Southern MN average
 - Above the State and Below the Southern MN average
 - Below the State and Above the Southern MN Average
64. When looking at soybean production by profitability group on cash rented acres for 2020 in Southern Minnesota, which of the following had the second highest overhead interest expense per acre?
- Low 20%
 - 40-60%
 - High 20%
 - Farmer in the Field
65. When looking at corn production by profitability group on cash rented acres for 2020 in Southern Minnesota, which of the following spent the most on land rent expense per acre in 2020?
- Low 20%
 - 40-60%
 - High 20%
 - Farmer in the Field
66. When looking at soybean production by profitability group on cash rented acres for 2020 in Southern Minnesota, in which of the following did land rent comprise the highest percent of total direct expenses?
- Low 20%
 - 40-60%
 - High 20%
 - Farmer in the Field
67. When looking at soybean production by profitability group on cash rented acres for 2020 in Southern Minnesota, what is the difference in Net Return per Acre (in \$) between the High 20% and Low 20% farms?
- \$322.99
 - \$168.29
 - \$318.58
 - \$320.43

68. According to the *Brief Overview of 2020 Financial Summary* information, what size farm has the highest seed cost per acre for corn on cash rented acres?
- 1001 – 2000 acres
 - 501- 1000 acres
 - Less than 500 acres
 - Farmer in the Field
69. According to the *Brief Overview of 2020 Financial Summary* information, in which of the last six years did crop farms have the highest median Net Farm Income?
- 2016
 - 2018
 - 2019
 - 2020
70. According to the *Brief Overview of 2020 Financial Summary* information, which area in Minnesota had the highest corn and soybean net returns this past year?
- Southern MN
 - Northern MN
 - Red River Valley region of MN
71. According to the *Brief Overview of 2020 Financial Summary* information, which area in Minnesota had the highest spring wheat yield this past year?
- Southern MN
 - Northern MN
 - Red River Valley region of MN
72. According to the *Brief Overview of 2020 Financial Summary* information, which size of crop operation had the strongest Term Debt Coverage Ratio last year?
- Less than 500 acres
 - 501 – 1,000 acres
 - 1,000 – 2,000 acres
 - 5,001 – 10,000 acres

Cash Flow Planning:

Use the **2021 Monthly Cash Flow Plan** for Farmer in the Field to answer questions 73 - 95. The monthly cash flow plan information is found on pages 29 to 34 of the reference materials packet.

73. What is the projected Net Farm Income for Farmer in the Field in 2021?
- \$1,154,981
 - \$ 247,021
 - \$ 221,550
 - \$ 206,063
74. What is the total amount of operating loan borrowings predicted in the 2021 monthly cash flow plan?
- \$440,876
 - \$221,550
 - \$219,326
 - \$144,416
75. What is Farmer in the Field's projected Term Debt Coverage Ratio for 2021 when looking at both farm and personal debts?
- 2.54
 - 2.90
 - 3.70
 - 12.6
76. What would Farmer in the Field's Term Debt Coverage Ratio be if there was a 10% decrease (shock) in gross income for this 2021 projection?
- 2.90
 - 1.78
 - 2.24
 - 1.41
77. What percent of the 2021 cash inflows is Soybean sales?
- 63%
 - 54%
 - 48%
 - 34%

78. In which month is the farm predicted to borrow the largest amount on the Annual Operating Loan?
- March
 - April
 - October
 - November
79. How many total bushels of corn are planned on being produced in 2021?
- 784 bu
 - 39,520 bu
 - 148,960 bu
 - 160,811 bu
80. How many bushels of corn are planned to be sold in 2021?
- 784 bu
 - 39,520 bu
 - 148,960 bu
 - 160,811 bu
81. What is the projected peak balance of the annual operating loan in 2021?
- \$440,876
 - \$221,550
 - \$219,326
 - \$144,416
82. In what month is Farmer in the Field's annual operating loan projected to have the highest balance in 2020?
- January
 - March
 - April
 - November
83. What is projected the ending inventory value per unit for Farmer in the Field's soybeans at the end of 2021?
- \$4.00
 - \$9.88
 - \$10.50
 - This information isn't provided
84. What is the projected Earned Net Worth change for Farmer in the Field in 2021?
- \$121,226
 - \$202,213
 - \$206,063
 - \$247,021

85. Farmer in the Field plans to purchase two new capital assets in 2021. What percent of the purchase price is he planning to finance with new credit during the year?
- 100%
 - 50%
 - 35%
 - 0%
86. What is the total annual payment amount projected for the new Equipment Upgrades loan for Farmer in the Field in 2021?
- \$53,000
 - \$17,184
 - \$16,849
 - \$ 4,522
87. What is the total family living/draw expense for the year that Farmer in the Field is projecting for 2021?
- This information isn't provided
 - \$55,000
 - \$41,000
 - \$14,000
88. What yield per acre is Farmer in the Field estimating in the monthly cash flow plan for soybean production in 2021?
- 760 bushels
 - 190 bushels
 - 52 bushels
 - This information isn't provided
89. What is Farmer in the Field's projected fertilizer expense per acre for corn production in 2021?
- \$ 8.00
 - \$ 51.00
 - \$ 96.00
 - \$130.00
90. When looking at Farmer in the Field's projected soybean cost of production for 2021, what is the minimum price he should market his soybeans at to cover total expenses, when government payments and other income are also factored in?
- \$8.63
 - \$8.05
 - \$3.38
 - \$3.19

91. When looking at the crop enterprise information, if land rent increases \$50.00 per acre on corn acres for Farmer in the Field, what would his new total per acre expense be for the corn enterprise?
- \$591.86
 - \$641.86
 - \$691.86
 - This information isn't provided
92. When looking at the crop enterprise information, if Farmer in the Field's actual soybean yield for the year is 62 bushels per acre and total soybean expenses per acre don't change, what would the updated cost of production per bushel be for total expenses only?
- \$10.35
 - \$ 8.63
 - \$ 7.24
 - \$ 6.75
93. If Farmer in the Field locks in a price of \$12.25 per bushel for his 2021 soybean production, what would his net return per acre be on his soybean acres? (Note – assume the projected yield and expenses that are in the plan.)
- Not enough information provided
 - \$637.00
 - \$310.51
 - \$188.01
94. If Farmer in a Field priced his corn bushels at \$3.75 per bushel, what yield would he need to cover his total expenses as presented in the cash flow plan? (Round to the nearest bushel.)
- 190 bushels
 - 172 bushels
 - 120 bushels
 - Not enough information provided
95. Farmer in the Field is expected to have a negative Net Worth Change in 2021 according to the Monthly Cash Flow Plan.
- True
 - False
 - This information isn't provided

Scenario:

Use the scenario below to answer questions 96 to 100.

Over the last number of years, Farmer in the Field has been farming with his dad. Farmer in the Field's dad is looking to retire and has offered his son the opportunity to take over his portion of the family business. If Farmer in the Field takes on his dad's portion of the business his crop acres would double. Currently he is in partial ownership of all machinery with his dad and the machinery covers all the acres run between both parties. If he takes over his dad's portion of the crop acres, he will need to buy out his dad's half of the machinery. The current value of the machinery Farmer in the Field would need to purchase from his dad is \$925,000. His dad would plan to step away from the farm in retirement and provide minimal labor. So, Farmer in the Field needs to consider this impact as well.

Farmer in the Field has a crop season to make his decision whether he wants to pursue this opportunity. He's asking your advice as he contemplates his options. His goals include doing what's best for his family while growing his business long term. Farmer in the Field also wants to be sure he maintains a 'healthy' balance sheet, can remain profitable, and has a positive cash flow moving forward. Based on the information you have been provided, please answer the questions below.

96. Which of the following items does Farmer in the Field Need to consider when looking at this opportunity?
- Increasing his line of machinery beyond the buyout from his dad.
 - The increased credit needs he will have for his operating loan and other potential borrowing needs.
 - The additional hired labor he will need to run his crop operation.
 - All of the above
 - B and C
97. Farmer in the Field's dad has offered to provide a loan to him for the machinery buyout. His dad is offering a fixed-principal payment loan plus annual accrued interest for 7 years. What is the estimated amount of the first year's payment on this loan?
- \$159,893
 - \$148,700
 - \$132,143
 - \$27,750

98. If Farmer in the Field agrees to the terms of the loan from his dad, as described above, how will his total payment in year two compare to his first year's payment?
- It will be the same
 - It will be less
 - It will be more
 - There isn't enough information provided
99. Farmer in the Field estimates he will need to borrow \$400 an acre on an operating loan if he chooses to take on these additional acres from his dad. How much of an increase in his operating loan does Farmer in the Field need to talk to his banker about?
- \$701,550
 - \$617,600
 - \$480,000
 - There isn't enough information provided
100. If Farmer in the Field takes on this opportunity from his dad, including his dad financing the machinery debt, will he have the capital debt repayment capacity to make his current term debt payments plus the additional term machinery debt payment with his dad. Consider the details of his financial situation today, as presented in the 2021 Monthly Cash Flow Plan, plus the additional profitability from the new acres he will take on.
- Yes
 - No
 - There isn't enough information provided