

Illinois Association of Vocational Agriculture Teachers Agricultural Business Management CDE

Contest Superintendent & Host: District IAVAT Directors

A. General Information

1. **Team:** A team shall consist of five (5) participants. The three (3) participants with the highest scores shall constitute the team score.
2. **Placings/Scoring:** Questions and problems will be scored by individuals designated by IAVAT.
3. **Scorecards:** The event will be scored using an auto-graded Google form.
4. **Miscellaneous:**
 - a. The event is open to any school desiring to participate.
 - b. Participants may use non-programmable (will not store formulas), battery operated calculators if they provide them.
 - c. Calculators may not be shared.
 - d. Two (2) hours will be allowed for participants to complete the event.
 - e. Each district shall have the flexibility to set a start time, but no competing team or individual shall depart the event site prior to all teams having started the event.
 - f. Individual ties in the Agriculture Business Management Career Development Event will be broken using the highest score in the problem section.
5. **Additional Information:** Refer to the "General Rules" section for the current year for information concerning **Entry Fees, Registration, and Location** of the event.
6. **Preregistration is required.** Watch the *AgEd Listserve* for event details. Each agriculture teacher with either a participant or a team in the Agricultural Business Management Career Development Event must submit pre-registration via the form distributed in AgEd Listserv by the date specified.

B. Event Format

Part A. Consists of 25 True or False question valued at 1 point each. Five (5) sample questions are illustrated. [**Scoring note:** This section will comprise 25 of the possible 225 points]

Part B. Consists of 50 multiple choice questions related to applying principles of farm management, farm records, farm credit, budgets, break-even problems and costs. Five (5) sample questions are illustrated. [**Scoring note:** This section will comprise 100 of the possible 225 points]

Sample Questions

Sample Questions True or False: Make an appropriate

choice of True or False

- 1) A “bull” market suggests prices are likely to decline.
- 2) Accounts payable is listed as an asset on a balance sheet.
- 3) The balance sheet is the best financial statement for determining owner’s equity.
- 4) Beginning and ending inventory of a common year must be identical.
- 5) The Farmers Home Administration is an example of a private lending institution.
- 6) $\text{Equity} = \text{Total liabilities} + \text{Total assets}$
- 7) Most Farm Businesses are incorporated.

Multiple Choice: Make an appropriate choice of A, B, C or D

- 1) The major advantage of renting or leasing a production input such as land or machinery is to
 - A. reduce taxes.
 - B. release capital for other uses.
 - C. increase depreciation allowances.
 - D. improve output per worker.
- 2) Long term credit should be used to purchase
 - A. cattle.
 - B. machinery.
 - C. land and buildings.
 - D. fertilizers.
- 3) In a period of declining farm prices, the manager could best maintain his labor income by
 - A. reducing inputs.
 - B. increasing resources.
 - C. decreasing marginal expenses.
 - D. increasing output per worker.
- 4) In analyzing the farm business, depreciation should be considered as
 - A. a variable cost.
 - B. a fixed cost.
 - C. an opportunity cost.
 - D. an operating cost.
- 5) It is profitable for a farmer to borrow money to expand a farm business when the borrowed money
 - A. returns more than borrowed money.
 - B. can be secured at a low interest rate.
 - C. can improve the level of production.
 - D. will increase the volume of business.

- 6) Short term credit is most likely used for
 - A. fertilizer purchase
 - B. purchasing land
 - C. purchasing a tractor
 - D. building a new machine shed
- 7) How many 80 -acre parcels of land can be divided from one and one-half sections of farmland?
 - A. 8
 - B. 10
 - C. 12
 - D. 16

Part C. Consists of problems related to applying principles of farm management, farm records, farm credit, budgets, break-even problems and costs. A sample problem is illustrated. [**Scoring note:** This section will comprise 100 of the possible 225 points]

Sample Problem

Problem Section: Using the information provided below, complete the net worth statement for January 1 for this young farmer.

Value of Machinery	\$48,000	
Value of Land	120,000	
Bank Checking Account	2,000	
Stored Wheat	9,000	
Steer Calves	15,000	
Cow Herd	10,000	
Value of Buildings	4,000	
The Operating Loan used to purchase calves due March 15 is \$8,000.		
The 20 Year Land Loan Balance is \$50,000 due July 1.		
Net Worth Statement		
ASSETS		
Current		
1. Bank Checking Account	\$2,000	
2. Stored Wheat	9,000	
3. Steer Calves	15,000	
Intermediate		
1. Value of Machinery	\$48,000	
2. Cow Herd	10,000	
Fixed		
1. Value of Land	\$120,000	
2. Value of Buildings	4,000	
Total Assets		208,000

LIABILITIES		
Current		
1. Operating Loan	\$8,000	
2. Part of Land Loan	5,000	
Intermediate		
	0	
Long Term		
1. Land Loan	\$45,000	
	Total Liabilities	\$58,000
	Net Worth	\$150,000

C. Suggested References Primary

Reference:

Steward, Jim, Raleigh Jobs, James Casey and Wayne Purcell, *Farm and Ranch Business Management*; Moline, Illinois: Deere & Company, 2005

Secondary References

CBOT/CME electronic resources - available at:

<http://www.cmegroup.com/education/index.html#>

MyCaert AG Business Units - available through your personal account log-in at:

www.agriculturaleducation.org

Missouri FFA Farm Management Contest - Exams and Keys - available at:

<http://agebb.missouri.edu/mgt/plainffa/index.htm>

4. Miscellaneous

Career Development Events Handbook 2006-2010. National FFA Organization, P.O. Box 68960, 6060 FFA Drive, Indianapolis, IN.46268-6060.

Catalog of instructional materials is available from ITCS Instructional Materials, University of Illinois at Urbana-Champaign, 1401 S. Maryland Dr., Urbana, IL 61801. (800) 345-6087 FAX (217) 333-3917 or available on the World Wide Web <http://im.itcs.illinois.edu/>.