Michigan Farm Business Management Test bank #2

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

1. Which of the following is the best ‘economic’ description of money?
   a. a resource
   b. a good
   c. a medium of exchange
   d. a luxury

2. Assume Joan is in a 15% federal income tax bracket. If Joan gets a $1,000 bonus, what is the after-tax value of that bonus (ignoring state and other taxes)?
   a. $1,000
   b. $1,150
   c. $150
   d. $850

3. In the market for grapefruit, what determines the market price?
   a. the quantity of grapefruit produced
   b. the quantity of grapefruit bought
   c. the price of oranges
   d. grapefruit supply and grapefruit demand

4. Gary owns a house with an assessed value of $150,000 and an estimated market value of $160,000. If the property tax rate on his house is 2%, how much will Gary have to pay in property tax on his house for this year?
   a. (.02)(160,000 – 150,000)
   b. (.02)(160,000 + 150,000)
   c. (.02)(160,000)
   d. (.02)(150,000)

5. A tax-deductible expense?
   a. reduces taxable income
   b. increases taxable income
   c. has no impact on taxable income
   d. increases taxes owed

6. If r (= the annual interest rate) is 6%, what is the present value of $1,200 to be received 5 years from the present?
   a. (1,200)/5
   b. $(1,200)(1.06)^5$
   c. $(1,200)/(1.06)^5$
   d. $(1,200)/(1.05)^6$

7. Fred paid $50 for a ticket to a football game that is sold out. He has been offered $120 for the ticket by Paul which is the highest offer for the ticket Fred had received. What is the opportunity cost of going to the game for Fred?
   a. $170
   b. $120
   c. $70
   d. $50

8. In economics, the term 'risk taker' is often used to describe what?
   a. an irrational person
   b. an entrepreneur
   c. a hedger
   d. anyone who buys a product in a market

9. The part of a loan that is repaid during a year is what type of payment?
   a. principal
   b. interest
   c. mortgage
   d. installment

10. Net worth on a balance sheet = total assets less______?
   a. equity
   b. debt
   c. total liabilities
   d. accrued expenses

11. What are the two general types of inputs used in a production process?
   a. fixed and variable
   b. liquid and non-liquid
   c. short-run and long-run
   d. those supplied and those demanded

12. A current asset is one that:
   a. is currently being used by a business firm
   b. can be converted into cash fairly easily within one year
   c. has been paid for by the business owner
   d. has been purchased within the past year by the business owner

13. The ability to convert assets into cash is known as:
    a. liquidity
    b. solvency
    c. profitability
    d. elasticity

14. A monthly bank statement is?
    a. an income statement
    b. a cash flow statement
    c. a net worth statement
    d. NOT a basic, business firm financial statement

15. If a diversified farming operation raises and sells hogs, among other commodities, a detailed listing of revenues and expenses for just the part of the farming operation dealing with the hogs would be called what?
    a. a cash flow budget
    b. an enterprise budget
    c. a whole farm budget
    d. an income statement

16. The main objective of income tax management is to do what?
    a. hide taxable income from the IRS
    b. reduce taxes payable to zero
    c. maximize after-tax income
    d. maximize taxable income

17. Postponing the reporting of taxable income to next year is most likely to be economically advantageous for Ellen if she:
    a. expects to be in a lower income tax bracket next year
    b. does not have the time to file her income taxes this year
    c. wants to remodel the kitchen in her house
    d. all of the above

18. What is the general name of federal benefits paid to people who retire:
    a. welfare
    b. Medicare
    c. Social Security
    d. Obamacare

19. The relationship between quantity of an output and quantity of an input for a firm is called what?
    a. a production function
    b. a production possibility curve
    c. a supply curve
    d. diminishing marginal product

20. Prorating the cost of a capital asset over the useful life of that asset is called:
    a. capital budgeting
    b. figuring out depreciation
    c. itemizing expenses
    d. spreading fixed costs over larger units of output

21. What is another term for interest expense owed?
    a. accrued interest expense
    b. a current asset
    c. a long-term liability
    d. a non-current liability

22. If a firm is maximizing its profits, it will most likely be doing which of the following?
    a. maximizing output
    b. using the least costly combination of resources for producing the desired level of output
    c. minimizing total costs
    d. paying no income taxes

23. Planning, organizing, and directing are often noted as examples of what?
    a. economic activities
    b. marketing activities
    c. functions of management
    d. stages of new product development

24. Orange juice prices are historically high despite the fact that per capita consumption of orange juice has been decreasing for many years. What is the most likely 'economic' explanation of the higher orange juice prices?
    a. the demand for orange juice has decreased
    b. the supply of orange juice has decreased
    c. the supply of orange juice has increased
    d. there are more substitutes to orange juice available

25. Which of the following is a tax-deductible expense?
    a. loan principal repayments
    b. interest payments on a credit card used for personal expenses
    c. machinery rental fees
    d. all of the above

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. Of the following, which is the most liquid asset?
    a. farm machinery
    b. balance in checking account
    c. breeding livestock
    d. account payable

27. Which of the following best describes a balance sheet?
    a. it shows changes in assets and liabilities over the last accounting period
    b. it shows the sources and uses of cash over the last accounting period
    c. it shows assets and liabilities at a point in time
    d. it shows profit for the last accounting period

28. What was this farm's current ratio on January 1, 2015?
    a. 0.26
    b. 0.41
    c. 2.44
    d. $409,182

29. The farm's cost value net worth changed by_____% from a year ago.
    a. +11 %
    b. +13%
    c. -13%
    d. it stayed the same

30. What percent of the farm's total liabilities are due and payable beyond the next 12 months?
    a. 18%
    b. 30%
    c. 44%
    d. 70%

31. Which of the following is not a source of owner equity for a farm business?
    a. loans received to purchase land
    b. increases in the value of owned land
    c. profit retained in the business
    d. assets contributed to the business by the owner(s)

32. From the Net Farm Income Statement, how much did this farm's gross farm revenue change as a result of an increase or decrease in market livestock inventory value?
    a. $29,360
    b. +$72,490
    c. -$72,490
    d. -$93,320

33. At the end of the year a farmer has an unpaid bill at the local machinery repair shop. It would be shown in an accrual accounting system as a(n) ___________
    a. prepaid expense
    b. account receivable
    c. account payable
    d. accrued expense

34. How much was FFA Farms' net farm income from operations in 2014?
    a. $ 95,067
    b. $98,349
    c. $103,349
    d. $729,516

35. A major advantage of accrual accounting over cash accounting is:
    a. a more accurate estimate of annual profit
    b. simplicity
    c. always shows a higher profit
    d. can use single entry instead of double entry

36. What expense category is not found on a cash flow budget but is included in a net farm income statement?
    a. cash rent payments
    b. pesticide purchases
    c. hired labor wages
    d. depreciation

37. FFA Farm's rent/lease payments accounted for what percent of their total cash expenses in 2014?
    a. 17 %
    b. 19 %
    c. 22 %
    d. 25 %

Use the attached cash flow budget projection to answer questions #38-45.

38. How many dollars' worth of crops does FFA Farm plan to sell in March and April?
    a. $46,545
    b. $130,909
    c. $182,709
    d. $409,036

39. In which period does this farm expect to have its largest net cash flow deficit?
    a. January - February
    b. March-April
    c. May-June
    d. July-August

40. How much operating capital does FFA Farm need to borrow in January-February in order to have a cash balance of $2,000 at the end of February?
    a. $ 55,770
    b. $ 57,770
    c. $ 59,770
    d. $ 59,425

41. In which period does this farm expect to have its largest need for cash?
    a. January - February
    b. March-April
    c. May-June
    d. July-August

42. What is FFA Farm's projected total cash inflows for all of 2015?
    a. $923,676
    b. $1,019,245
    c. $30,554
    d. $3,655

43. When does FFA farm expect to pay cash rent?
    a. March-April and September-October
    b. March-April and November-December
    c. May-June and November-December
    d. May-June

44. In how many periods does FFA farm expect to have a negative net cash flow?
    a. none
    b. two
    c. three
    d. six

45. Which of the following would <u>not</u> appear on a cash flow budget?
   a. feed purchases
   b. inventory change
   c. family living expenses
   d. cost of new tractor

Refer to the attached "Grade A Dairy" budget to answer questions #46-50.

46. How much <u>income over all costs</u> (profit) for one dairy cow is projected?
   a. $4,860.40
   b. $898.11
   c. $490.40
   d. $-48.09

47. What is the selling price of milk needed to cover variable costs after allowing for income from the sale of cull cows and calves?
   a. $ 14.00 per cwt.
   b. $15.10 per cwt.
   c. $19.00 per cwt.
   d. $19.21 per cwt.

48. What is the expected profit per hundredweight (cwt) of milk sold?
   a. $ 19.00 per cwt
   b. $ -0.21 per cwt
   c. $ 3.90 per cwt
   d. $15.10 per cwt

49. What are projected milk sales per $ of feed fed in this budget, to the nearest cent?
   a. $ 0.44 per $ of feed
   b. $ 1.86 per $ of feed
   c. $ 2.07 per $ of feed
   d. $ 11.06 per $ of feed

50. For this budget, what is the minimum gross income needed to justify continuing to produce in the short-run?
   a. $3,962.29
   b. $4,908.49
   c. $4860.40
   d. $898.11

Refer to the attached budget for corn following soybeans to answer questions 51-55.

51. How much is the expected gross margin (i.e. return over variable costs per acre)?
    a. $ -23.87
    b. $ 382.21
    c. $ 453.92
    d. $ 860.00

52. What selling price for corn grain is needed to just cover total costs after accounting for income received from sale of stover bales?
    a. $ 5.69 per bu.
    b. $ 4.78 per bu.
    c. $4.91 per bu.
    d. $4.13 per bu.

53. How much are total costs for machinery (including drying)?
    a. $37.70 per acre
    b. $227.45 per acre
    c. $265.15 per acre
    d. $ 273.00 per acre

54. How much cash rent could be paid and just break even?
    a. $73.13 per acre
    b. $ 249.13 per acre
    c. $ 270.00 per acre
    d. $ 883.87 per acre

55. If output increases with no change in total cost, breakeven selling price will:
    a. increase
    b. decrease
    c. remain constant
    d. initially decrease and then begin to increase

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

56. Liability insurance provides protection against which of the following?
    a. lawsuits
    b. creditors
    c. predators
    d. property loss

57. In marketing, ‘basis’ is the difference between what?
    a. a futures price and a cash price
    b. a projected price and an actual price
    c. two current cash prices
    d. two current futures prices

58. Which of the following actions is intended to limit the price paid for corn fed to feeder cattle?
    a. buy a put option
    b. sell a call option
    c. sell a futures contract
    d. buy a call option

59. In studying consumer purchasing behavior in economics, utility means:
    a. sources of energy
    b. satisfaction
    c. practicality
    d. dependability

60. Spreading and reducing risk by a farmer would most likely be associated with which of the following:
    a. expanding the size of their specialty operation
    b. hiring more labor
    c. adding a new enterprise to the operation
    d. purchasing more inputs

61. Which of the following is a hedger most likely doing?
    a. increasing their risk
    b. transferring risk to someone else
    c. taking out a loan
    d. paying off a loan

62. A strike price is what?
    a. the market equilibrium price
    b. the premium paid for the purchase of an option
    c. the price at which an option buyer can sell the underlying futures contract
    d. the desired wage by workers who are on strike

63. If a corn farmer has hedged some future corn sales with the futures market, what should they do if they are a true hedger when they sell their corn in the cash market in the future?
    a. let the corn futures contract expire
    b. buy back the futures contracts sold
    c. sell the futures contracts initially bought
    d. purchase an offsetting call option

64. A commodity market described as ‘highly volatile’ is one with what?
    a. unstable interest rates
    b. high inventory turnover
    c. highly variable prices
    d. high profitability

65. A person who helps you buy and sell things like stocks, bonds, futures contracts, and options is called what?
   a. an investor
   b. a speculator
   c. a broker
   d. a trader

66. A cooperative patronage refund is what?
   a. the same as a stock dividend
   b. a return of company profits to owners based on their use of the business
   c. a return of company profits to owners based on the length of time of their membership with the business
   d. money paid back to a dissatisfied customer

67. If a corn farmer has total fixed costs per acre of $200, variable costs of $3 per bushel, and the price of corn is $4 per bushel, what is the farmer's breakeven yield per acre (in bushels)?
   a. 50
   b. 66.67
   c. 28.57
   d. 200

68. Which of the following is most likely true for the 'average fixed cost' for a farmer who produces fed cattle?
   a. it does NOT change with changes in the number of fed cattle produced
   b. it decreases with increases in the number of fed cattle produced
   c. it increases with increases in the number of fed cattle produced
   d. it decreases with decreases in the number of fed cattle produced

69. If a corn farmer can gain 10 cents per bushel by doing a better job marketing corn from their 2,000-acre corn operation that yields 200 bushels per acre, how much will they add to their total income?
   a. $2,000
   b. $4,000
   c. $40,000
   d. $400,000

70. A soybean farmer has soybeans stored in on-arm storage bins. The farmer has two pricing options (per bushel): A = sell today for $8.75 or B = sell in two years for $9.00. Which of the following is true about the farmer's 'best' pricing and marketing strategy?
   a. it depends on storage costs and interest rates
   b. it depends on what is cost to produce those soybeans
   c. sell in two years because the price is higher
   d. sell today if the farmer needs the storage space for a new crop to be harvested soon

71. The “Law of Demand” in economics states that consumers will buy more of a product if what?
    a. they want it
    b. they need it
    c. the price of the product is reduced
    d. there is an improvement made in the quality of the product

72. What market position does a hog farmer have who will be selling market hogs in two months?
    a. long cash
    b. short cash
    c. intermediate
    d. vulnerable

73. Misty has agreed to sell 5,000 bushels of soybeans to her local grain elevator on Nov. 1 of this year at a price = $9.25 per bushel. What type of contractual arrangement is this for Misty?
    a. futures
    b. basis
    c. forward cash
    d. hedge to arrive

74. Crop insurance substitutes what for what?
    a. an asset for a liability
    b. physical crop loss risk for price risk
    c. a certain cost for an uncertain loss
    d. an uncertain cost for a certain loss

75. The profit-maximizing output rule is to produce a level of output where the marginal revenue of the last unit produce is equal to what?
    a.0
    b. total cost
    c. average cost
    d. marginal cost

EXAM KEY

Section A. Principles of Economics and Management

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

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

26. B Can easily be converted to cash

27. C Shows what we own and what we owe

28. C Current ratio = (current assets / current liabilities)
= $693,663 / $284,481 = 2.44

29. B Percent change in cost value net worth = (Farm Net Worth this year – Farm Net Worth Last Year) / Farm net Worth Last Year = ($1,809,189 - $1,605,826)/ $1,605,826 = 13%

30. D (Fixed liabilities / total liabilities)
= $655,927 / $940,408 = 70%

31. A Loans are a liability not a source of owner equity.

32. B Change in market livestock revenue = ending market livestock value – beginning market livestock value
= $277,100 - $204,610= $72,490

33. C

34. B Net farm income from operations = Gross farm revenue – gross farm expenses
$729,516 - $631,167 = $98,349

35. A

36. D Depreciation is a non-cash expense.

37. B Rent or lease payments / total cash expenses
($140,500 / $727,769) x 100 = 19%

38. C

39. D -$68,274 during the July-August period.

40. B Net operating loans needed in January-February = (negative net cash flow Jan. and Feb.) – (beg. Cash balance) – (ending cash balance)
$59,425 - $3,655 + $2,000 = $57,770

41. B The projected cash expenses are largest at $265,318 for March-April.

42. A Total cash inflows for the whole year = $923,676.

43. B $75,000 in March-April and $75,000 in November-December.

44. C There is a projected negative net cash flow in Jan-Feb, Mar-April and July-August.

45. B Inventory change would be a non-cash change in revenue.

46. D Profit = total income – total all costs
$4,806.40 - $4,908.49 = $-48.09

47. B Needed selling price = (variable costs-other income) / cwt. milk sold
($3,962.29 - $490.40) / 230 cwt. = $15.10 per cwt.

48. B Profit per cwt = Profit / cwt sold = $-48.09 / 230 = $-0.21 per cwt
Or, you can find this as selling price per cwt – breakeven price = $19.00 - $19.21

49. B $ milk sales/total feed costs
$4,370.00 /$2,350.77 = $1.86

50. A Income to just cover variable costs.
$3,962.29

51. B Gross margin = gross revenue – variable costs = $860.00 - $477.79 = $382.21.

52. D (Total cost – other income) / bushels to sell
= $883.87 - $140.00 / 180 bu. = $4.13 per bu.

53. C Pre-harvest machinery costs + Harvest machinery cost = $37.70 + $227.45 = $265.15.

54. B Gross income - (Total Costs excluding cash rent) = $860 – (883.87 – $273) = $249.13

55. B

56. A
57. A
58. D
59. B
60. C
61. B
62. C
63. B
64. C
65. C
66. B
67. D = TFC/(P-AVC) = 200/(4-3) = 200
68. B
69. C = (2000) (200) (0.10) = 40,000
70. A
71. C
72. A
73. C
74. C
75. D

ATTACHMENTS

Ending Net Worth Statement

Name	FFA FARM			Date	01/01/15
Farm Assets	**Cost Value**	**Market Value**	**Farm Liabilities**		**Market Value**
Current Assets			***Current Liabilities***		
Checking and savings accounts	$31,963	$31,963	Accounts payable (Sched. N)		$18,654
Crops held for sale/feed (Sched. A)	$354,550	$354,550	Farm taxes due (Sched. O)		$4,490
Investment in growing crops(Sch. B)			Current notes and credit lines (Sched. P)		$109,232
Commercial feed on hand (Sch. C)	$11,300	$11,300			
Prepaid expenses (Sched. D)	$18,750	$18,750	Accrued interest - short (Sched. P)		$4,772
Market livestock (Sched. E) Supplies	$277,100	$277,100	- fixed (Sched. Q)		$73,275
on hand (Sched. F) Accounts			Due in 12 months - fixed (Sched. Q)		$74,059
receivable (Sched. G) Other current					
assets			Other current liabilities		
A) Total Current Assets	**$693,663**	**$693,663**	**C) Total Current Liabilities**		**$284,481**
Fixed Assets			***Fixed Liabilities***		
Unpaid coop. distributions (Sch. H)	$14,435	$14,435	Notes and contracts remainder (Sched. Q)		$655,927
Breeding livestock (Sched. I)	$59,750	$59,750	Other fixed liabilities		
Machinery & equipment (Sched. J)	$331,932	$455,600	Total Fixed Liabilities		**$655,927**
Buildings/improvements (Sched. K)	$489,817	$617,000			
Farmland (Sched. L)	$1,160,000	$1,720,000			
Farm securities, certificates (Sch.M)					
Other fixed assets					
Total Fixed Assets	**$2,055,934**	**$2,866,785**			
B) Total Farm Assets	**$2,749,597**	**$3,560,448**	**D) Total Farm Liabilities**		**$940,408**
E) Farm Net Worth (B - D)	**$1,809,189**	**$2,620,040**			
F) Farm Net Worth Last Year	$1,605,826	$2,338,637	**Working Capital (A - C)**		
G) Change in Farm Net Worth (E - F)			**Current Asset-to-Debt Ratio (A / C)**		
Percent Change in Net Worth (G / F)			**Total Debt-to-Asset Ratio (D / B)**		

Net Farm Income Statement

Name **FFA FARM** **Year** **2014**

Income

Cash Income		***Income Adjustments***	**Ending**	**Beginning**
Sales of livestock bought for resale		Crops held for sale or feed (Sched. A)	$354,550	$518,460
Sales of market livestock, grain, etc.	$764,328	Market livestock (Sched. E)	$277,100	$204,610
Cooperative distributions paid		Accounts receivable (Sched. G)		
Agricultural program payments Crop	$18,790	Other current assets		
insurance proceeds		Unpaid cooperative distributions (Sched. H)	$14,435	$14,435
Custom hire income		Breeding livestock (Sched. I)	$59,750	$61,650
Other cash income	$10,358	Subtotal of adjustments	$705,835	$799,155
Sales of breeding livestock	$29,360	(b) Net adjustment (ending - beginning)	($93,320)	
(a) Total Cash Income	$822,836	(c) Value of home used production		
		(d) Gross Farm Revenue (a + b + c)	**$729,516**	

Expenses

Cash Expenses		***Expense Adjustments***	**Ending**	**Beginning**
Car and truck expenses	$1,894	Investment in growing crops (Sched. B)		$8,213
Chemicals	$30,760	Commercial feed on hand (Sched. C)	$11,300	$8,750
Conservation expenses		Prepaid expenses (Sched. D)	$18,750	
Custom hire		Supplies on hand (Sched. F)		
Employee benefits	$2,400	(f) Net adjustment (beginning - ending)	($13,088)	
Feed purchased	$137,210		**Ending**	**Beginning**
Fertilizer and lime	$105,500	Accounts payable (Sched. N)	$18,654	$24,250
Freight, trucking	$12,290	Farm taxes due (Sched. O)	$4,490	$4,490
Gasoline, fuel, oil	$23,650	Accrued interest (Sched. P, Q)	$78,046	$218,626
Insurance	$7,000	(g) Net adjustment (ending - beginning)	($146,176)	
Interest paid	$85,511	(h) Depreciation (Sched. J, K)		$62,661
Labor hired	$36,000	**(i) Gross Farm Expenses**		$631,167
Pension and profit-share plans				
Rent or lease payments	$140,500	**(j) Net Farm Income from Operations**		
Repairs, maintenance	$12,333			
Seeds, plants	$64,925	(k) Sales of farm capital assets		$5,000
Storage, warehousing		(l) Cost value of items sold (Sched. J, K, L)		
Supplies purchased	$3,675	(m) Capital gains or losses (k - l)		$5,000
Taxes (farm)	$8,980			
Utilities	$17,358	**Net Farm Income (accrual)** (j + m)		**$103,349**
Vet. fees, medicine, breeding	$11,623			
Other cash expenses	$4,560			
Livestock purchased	$21,600	Net Farm Income (cash)		$95,067
(e) Total Cash Expenses	$727,769	Value of Farm Production		$570,706

Cash Flow Budget

Name: FFA FARM

Year: 2015

CASH INFLOWS	Total for	January	March	May	July	September	November
Operating	Year	February	April	June	August	October	December
Livestock income	438,240	73,040	73,040	73,040	73,040	73,040	73,040
Sales of crops	409,036	46,545	182,709	48,873	0	0	130,909
Other crop income	0	0	0	0	0	0	0
USDA payments	18,000	9,000	0	0	0	9,000	0
Custom hire income	0	0	0	0	0	0	0
Farm rents, interest	0	0	0	0	0	0	0
Other	6,000	1,000	1,000	1,000	1,000	1,000	1,000
Sales of Capital Assets	20,000	0	0	0	0	20,000	0
Financing							
Total new short-term loans to receive	0	0	0	0	0	0	0
New term loans to receive	20,000	0	0	20,000	0	0	0
Non-farm Income	12,400	400	400	5,400	400	400	5,400
Total Cash Inflows	**923,676**	**129,985**	**257,149**	**148,313**	**74,440**	**103,440**	**210,349**

CASH OUTFLOWS	Total for	January	March	May	July	September	November
Operating	Year	February	April	June	August	October	December
Seed	78,000	26,000	13,000	0	0	0	39,000
Fertilizer and lime	103,200	34,400	34,400	0	0	0	34,400
Pesticides	23,520	0	23,520	0	0	0	0
Crop insurance	11,940	0	0	0	0	11,940	0
Drying fuel	17,640	0	0	0	0	17,640	0
Custom hire or machine rental	0	0	0	0	0	0	0
Other cash costs per acre	10,200	1,700	1,700	1,700	1,700	1,700	1,700
Purchased crops	0	0	0	0	0	0	0
Purchased livestock	22,000	3,667	3,667	3,667	3,667	3,667	3,667
Purchased feed	154,000	25,667	25,667	25,667	25,667	25,667	25,667
Health and veterinary	11,000	1,833	1,833	1,833	1,833	1,833	1,833
Marketing	13,200	2,200	2,200	2,200	2,200	2,200	2,200
Other cash costs per head	0	0	0	0	0	0	0
Real estate taxes	16,000	0	8,000	0	0	8,000	0
Cash rent	150,000	0	75,000	0	0	0	75,000
Hired labor	36,000	6,000	6,000	6,000	6,000	6,000	6,000
Repairs and upkeep	13,000	2,889	1,444	1,444	1,444	2,889	2,889
Fuel and lubrication	25,000	2,500	5,000	5,000	2,500	5,000	5,000
Other fixed expenses	6,000	1,000	1,000	1,000	1,000	1,000	1,000
Equipment lease payments	0	0	0	0	0	0	0
Purchases of Capital Assets	45,000	0	0	45,000	0	0	0
Financing							
Accounts payable	29,540	29,540	0	0	0	0	0
Short term notes due	22,500	22,500	0	0	0	0	0
Term loan payments	153,505	20,015	42,387	1,300	87,203	1,300	1,300
Non-farm Expenditures							
Family living expenses	45,000	7,500	7,500	7,500	7,500	7,500	7,500
Non-farm investments	33,000	2,000	13,000	12,000	2,000	2,000	2,000
Total Cash Outflows	**1,019,245**	**189,411**	**265,318**	**114,311**	**142,714**	**98,336**	**209,156**

SUMMARY	Total for	January	March	May	July	September	November
	Year	February	April	June	August	October	December
Net Cash Flow	**(95,568)**	**(59,425)**	**(8,169)**	**34,002**	**(68,274)**	**5,104**	**1,194**
Beginning cash balance New	3,655	3,655	(55,770)	(63,939)	(29,938)	(98,211)	(93,107)
operating loan received	0						
Repayment of operating loan	0						
Interest paid on oper. loan balance	0	0	0	0	0	0	0
Ending cash balance	(91,913)	(55,770)	(63,939)	(29,938)	(98,211)	(93,107)	(91,913)
Operating Loan Balance							
Beginning Balance	30,554	30,554	30,554	30,554	30,554	30,554	30,554
Ending Balance	30,554	30,554	30,554	30,554	30,554	30,554	30,554

Grade A Dairy - One Cow Unit

			Price	Unit		Quantity	Unit		Total
Income			**Price**	**Unit**		**Quantity**	**Unit**		**Total**
Milk sales*			$19.00	per cwt	x	230	cwt	=	$4,370.00
Cull cow	0.4	head x	$0.60	per lb	x	1350	lbs	=	$324.00
Dairy calf			$320.00	per head	x	0.52	head	=	$166.40
Gross Income									$4,860.40
Variable Costs			**Price**	**Unit**		**Quantity**	**Unit**		**Total**
Feed Costs									
Corn equivalents			$3.50	per bu	x	113	bu	=	$395.50
Corn Silage			$35.00	per ton	x	8	tons	=	280.00
Hay equivalents			$180.00	per ton	x	6	tons	=	1,080.00
Salts and minerals			$0.14	per lb	x	323	lbs	=	45.22
Protein supplement			$0.12	per lb	x	1855	lbs	=	222.60
Cottonseed			$0.15	per lb	x	1361	lbs	=	204.15
Fat			$0.30	per lb	x	111	lbs	=	33.30
Milk replacer, calf starter									90.00
Other									0.00
Total Feed Costs									$2,350.77
Veterinary and health									$118.00
Fuel, utilities and repairs									160.00
DHIA & accounting									30.00
Breeding fees									50.00
Bedding, supplies and miscellaneous									170.00
Hauling			$0.29	per cwt					66.70
Interest on variable costs			5%			3	month		36.82
Labor			$14.00	per hour		70	hours		980.00
Total Variable Costs									$3,962.29
Income over Variable Costs									$898.11
Fixed Costs									
Machinery, equipment, facilities									$620.00
Interest, insurance on herd									326.20
Total Fixed Costs									$946.20
Total of All Costs									$4,908.49
Income over All Costs									
Income from cull cows, calves, and heifers									$490.40
Break-even selling price for variable costs									per cwt
Break-even selling price for all costs									per cwt

Corn following Soybeans

Gross returns	Price	Yield			
Grain	*$4.00*	180		$720.00	**bu./acre**
Stover bales	$ 35.00	4		$140.00	
Gross income				$860.00	
			Cost per Acre		
Preharvest machinery		**Fixed**	**Variable**	**Total**	
Tandem disk		$3.60	$3.10	$6.70	
Apply nitrogen		$4.70	$5.30	$10.00	
Field cultivate		$2.50	$3.10	$5.60	
Plant		$6.00	$5.40	$11.40	
Spray		$2.00	$2.00	$4.00	
Custom hire		$0.00	$0.00	$0.00	
Other		$0.00	$0.00	$0.00	
Other		$0.00	$0.00	$0.00	
Total per acre		$18.80	$18.90	**$37.70**	
Seed, chemicals, etc.					
Seed		----	$115.80	$115.80	
cost per 1000 kernels	*$3.86*				
kernels per acre	*30,000*				
Nitrogen		----	$61.57	$61.57	
price per pound	*$0.47*				
pounds per acre	*131*				
Phosphate		----	$32.64	$32.64	
price per pound	*$0.48*				
pounds per acre	*68*				
Potash		----	$22.14	$22.14	
price per pound	*$0.41*				
pounds per acre	*54*				
Lime (annual cost)		----	$10.00	$10.00	
Herbicide		----	$35.50	$35.50	
Crop insurance		----	$13.60	$13.60	
Miscellaneous		----	$10.00	$10.00	
Interest on preharvest variable costs		----	$10.67	$10.67	
length of period (months)	*8*				
interest rate	*5.0%*				
Total			$311.92	**$311.92**	
Harvest machinery					
Combine		$19.00	$10.90	$29.90	
Grain Cart		$5.90	$3.20	$9.10	
Haul		$7.34	$6.87	$14.21	
Fixed- price per bushel	*$0.04*				
Variable- price per bushel	*$0.04*				
Drying		$36.00	$108.00	$144.00	
Fixed- price per bushel	*$0.05*				
Variable- price per bushel	*$0.15*				
Handling		$12.24	$18.00	$30.24	
Fixed- price per bushel	*$0.02*				
Variable- price per bushel	*$0.03*				
Custom hire		$0.00	$0.00	$0.00	
Total per acre		$80.48	$146.97	**$227.45**	
Labor					
Hours	*2.6*	$33.80		$33.80	
Rate per hour	*$13.00*				
Land					
Cash rent		$273.00		$273.00	
Total fixed, variable and all costs		**Fixed**	**Variable**	**Total**	
Per acre		$406.08	$477.79	$883.87	
Profit				**-$23.87**	