Purpose

To provide a competition that fosters information assimilation, critical thinking and problem-solving skills necessary to successfully manage a farm or pursue a farm business management career. The event enhances and encourages opportunities for all participants to receive instruction that develops farm business management skills.

Objectives

The event objectives are for participants to demonstrate their ability to:

- Analyze farm/ranch business management information.
- Apply economic principles and concepts of business management to the decision-making process.

General Rules

1. The event will take place at the State FFA Leadership Conference.
2. Four participants will constitute an official team. The top three individual scores will be used in the team score tabulation.
3. Two hours will be given to participants to complete the Farm Business Management event.
4. General management areas considered may include:
   - Financial statements
   - Sources of credit
   - Net worth statements
   - Cash flow
   - Solvency ratio
   - Depreciation
   - Types of leases
   - Partial budgeting
   - Records and record keeping
   - Calculating loan costs
   - Obtaining credit
   - Types of interest
   - Fixed and variable costs
5. Participants should bring a battery-powered calculator (non-programmable), extra pages of clean work paper and several pencils.
6. Participants in need of special accommodations (disability or other health issues) must submit the Idaho State FFA Career Development Events Request for Special Accommodation Application found at the end of the General Rules and Regulations at least one month prior to the event.

Format and Scoring

1. 50 multiple-choice questions pertaining to general management areas. (Two points each for 100 points total)
2. Three practical management problems. (30 points each for 90 points total)

<table>
<thead>
<tr>
<th>Section</th>
<th>Individual</th>
<th>Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple Choice Questions</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>Management Problems</td>
<td>90</td>
<td>270</td>
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<tr>
<td>Total</td>
<td>190</td>
<td>570</td>
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</tbody>
</table>
References for the event include:

1. Farm Business Management Curriculum Guide – Ag 460/660

2. The Principles and Concepts section of the National Farm Business Management CDE located in the National FFA Career Development Event Handbook IV.
   a. Economic Principles Related to Business Management
      i. Production functions
         1. Diminishing returns
         2. Profit maximizing point:
            a. MFC=MVP
            b. MC=MR
      ii. Opportunity costs
         1. Alternative investment opportunities
         2. Alternative use of resources
      iii. Cost analysis
         1. Fixed costs
         2. Variable costs
      iv. Input combinations
   v. Enterprise selection
      1. Equi-marginal returns
      2. Specialization and diversification
   vi. Supply and demand
      1. Price and quantity determination
      2. Elasticity of demand
      3. Elasticity of supply
      4. Substitute, complementary and competitive products
      5. Comparative advantage
   vii. Types of Markets
      1. Perfectly competitive markets
      2. Oligopoly markets
      3. Monopolistic competitions
      4. Monopoly markets

3. Concepts related to the use and analysis of records to manage resources
   a. Analysis of records
      i. Financial statements
         1. Balance sheet
         2. Income statement
         3. Statement of owner equity
         4. Statement of cash flow
      ii. Financial statement ratios
         1. Solvency
         2. Liquidity
         3. Profitability
         4. Repayment capacity
         5. Financial efficiency
   b. Budgeting
      i. Partial budgets
      ii. Whole farm budgets
      iii. Enterprise budgets
   c. Cash Flow Analysis
      i. Summary
ii. Projections

d. Managerial Accounting
e. Tax Management

4. Concepts and Functions of Risk Management
   a. Financial
      i. Capital budgeting
         1. Time value of money
         2. Net present value
      ii. Credit
         1. Sources
         2. Loan applications
         3. Interest
         4. Collateral
      iii. Leasing of Real Property
      iv. Land Acquisition and Ownership
      v. Machinery Management
      vi. Insurance
         1. Life insurance
         2. Property insurance
         3. Crop insurance
         4. Health insurance
         5. Liability insurance
   b. Marketing
      i. Functions
      ii. Price methods
         1. Cash markets
         2. Futures and options
         3. Contracting
      iii. Trade
         1. Domestic
         2. International
   c. Legal
      i. Estate planning
      ii. Business organization
         1. Sole proprietorship
         2. Cooperatives
         3. Corporations
         4. Partnership
         5. Limited liability company or partnership
      iii. Written Agreements
   d. Production
      i. Government programs and regulations
      ii. Weather
      iii. Disease
   e. Human Resources
      i. Training programs
      ii. Hiring employees
      iii. Employee policies and procedures
      iv. Compensation and benefits

5. Business Management
   a. Strategic Management
i. Vision statement
ii. Mission statement
iii. Goals

b. Tactical planning
c. Operational planning
d. Succession planning


7. The three (3) most current national tests (available from the National FFA Supply Service)

Awards

Awards are presented to teams as well as individuals based upon their rankings. The top 10 teams and individuals will be recognized. Individuals from 1st through 5th place will receive medals. Teams from 1st through 5th place will receive plaques.