

## Cooperative Quiz

Mountainland Applied Technology College, Lehi, Utah  
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Name \_\_\_\_\_ Chapter \_\_\_\_\_

Address \_\_\_\_\_ Score \_\_\_\_\_

**True or False Questions: Circle the letter “T” before the following true statements and the letter “F” if any part of the statement is false.**

- T F 1. Once a cooperative has been formed, two very important things the membership should do at the cooperative’s first annual meeting are to approve the cooperative’s bylaws and elect the board of directors.
- T F 2. A centralized cooperative is a cooperative of cooperatives. That is, the members of the centralized cooperative are other cooperatives.
- T F 3. Operating at-cost doesn't mean the cooperative doesn't make a profit but means that all profits are refunded to members through patronage refunds.
- T F 4. Section 521 cooperatives do not need to pay corporate income tax on equity-based dividends. This gives these cooperative a substantial advantage over investor-oriented firms.
- T F 5. The Attorney General of the United States is specified under Section 2 of the Capper-Volstead act as the person designated to enforce the Act to ensure that there is no undue “price enhancement” as a result of farmers acting together to market their products.
- T F 6. Cooperatives qualifying under Section 521 of the IRS code are required to pay 100% of their patronage refunds to members in cash in order to maintain their tax-exempt status.
- T F 7. Market pooling means that members of the cooperative purchase farm supplies jointly and reduce costs because they buy in large volumes.

- T** F 8. Section 521 cooperatives do not need to pay corporate income tax on equity-based dividends. This gives these cooperative a substantial advantage over investor-oriented firms.
- T** F 9. Cooperative structure can be classified into five types as follows: geographic, governance, functions, financial, and other arrangements.
- T **F** 10. If member-users have 100 percent of the voting rights, it means that they must have all the control of the cooperative.
- T** F 11. Operating at-cost doesn't mean the cooperative doesn't make a profit but means that all profits are refunded to members through patronage refunds.
- T **F** 12. If the association is a nonstock organization, it does not issue any certificates to show capital contribution of members.
- T **F** 13. A subsidiary is a corporation that is not owned by, or otherwise affiliated with a parent cooperative.
- T** F 14. Retained patronage refunds are portions of net income allocated to members but retained by the cooperative.
- T** F 15. Democratic control of a cooperative means that each member of the cooperative receives one vote regardless of how much he or she may have invested in the cooperative.
- T** F 16. Today's three contemporary principles of the cooperative form of business are: User-Owner Principle, User-Control Principle, and User-Benefits Principle.
- T **F** 17. The Capper-Volstead Act specifies that agricultural producers may act together in marketing their products if the products of nonmembers who market through the cooperative make up of a value of no greater than 60% of all the products the cooperative sells.
- T **F** 18. A regional cooperative usually operates in a relatively small geographic area, typically within a radius of 10 to 30 miles.
- T** F 19. Many cooperatives elect directors "at large," meaning the entire membership can vote directly to fill each director position, and each director represents the entire membership.
- T **F** 20. All members of the cooperative have the responsibility to originate and approve general policies that relate to functions the cooperative performs and how it conducts business.

- T F 21. According to the democratic control principle, member control recognizes that members can control a cooperative either through one vote per member or through a voting system that relates to the size of patronage each member does with the cooperative.
- T F 22. The type of cooperative and its purpose will determine whether it can practice open membership.
- T F 23. The primary purpose in cooperating is to get a monetary return on capital investment.
- T F 24. Cooperatives can differ in structure, depending on the size of the area served: local, regional and international.
- T F 25. The members of a federated cooperative are local cooperatives, operated by a manager hired by and responsible to local boards of directors.
- T F 26. One of a purchasing cooperative's objectives is to reduce production costs for members through quantity purchasing, manufacturing, and distributing, procuring quality products, and providing related services as needed.
- T F 27. A Marketing Agency-in-Common, organized by two or more marketing cooperatives, handle and arrange the sale of its member's products.
- T F 28. If the association is a capital stock organization, members receive stock certificates as evidence of their ownership interest and more than one type of stock may be issued.
- T F 29. The steering committee has to decide the feasibility of the cooperative and prepare a business plan for the proposed cooperative.
- T F 30. The steering committee will always serve as the first board of directors of the cooperative.
- T F 31. Two of the four areas that a member survey should explore include members' needs and the opinions of members about participating in the cooperative.
- T F 32. Capital for the cooperative may be raised by members purchasing stock (equity) and borrowing funds (debt) from a lending institution.
- T F 33. The First Annual Meeting of Cooperative has the aim to hire a cooperative manager.
- T F 34. Most State cooperative incorporation statutes limit the proportion of business a cooperative can conduct with non-members to 50 percent.

T F 35. The chief executive officer, usually referred to as the manager is selected by all members of the cooperative.

**Tie Breaker: Please briefly describe (50 words or less) what the Capper-Volstead Act did for the agriculture industry.**