

Cooperative Quiz

Mountainland Applied Technology College, Lehi, Utah
Sponsored by the Utah Council of Farmer Cooperatives

October 2, 2012

Prepared by Ruby Ward, Ph. D.
Department of Applied Economics and Cooperative Extension Service
Utah State University

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. A cooperative is organized in response to a general economic climate.
- T F 2. Developing good leadership and clearly identifying the economic need are two things that can improve the cooperatives chances for success.
- T F 3. The three basic interests of any business organization (ownership, control, and beneficiary) are vested directly in the hands of the user only in cooperatives.
- T F 4. Member participation in decision making activities in not necessarily important for success.
- T F 5. A subsidiary is a corporation that is not owned by, or otherwise affiliated with a parent cooperative.
- T F 6. Groups often start cooperatives in order to increase costs and decrease bargaining power.
- T F 7. A newly organized cooperative’s changes for success can be improved by reaching an agreement on the cooperative’s mission.
- T F 8. One of the areas that the steering committee of a cooperative should explore is the opinions of members.
- T F 9. The basic structure of a cooperative is the same regardless of the size of the area it serves.
- T F 10. Cooperatives as well as businesses operating within a cooperative should have a business plan.

- T F** 11. If the association is a nonstick organization, it does not issue any certificates to show capital contribution of members.
- T F** 12. Marketing cooperatives enable farmer-members to extend control of their products as long as the cooperative retains physical or legal title to a commodity handled through processing, distribution, and sale.
- T F** 13. One way cooperative members exercise control is through voting at annual and other membership meetings.
- T F** 14. The Capper-Volstead Act permits farmers to get together to collectively market their products without fearing ant-trust action against them.
- T F** 15. The cooperative does not need to worry about the effect a decision will have on members' ownership interests, as long as a decision will make the cooperative grow as a business and be profitable.
- T F** 16. Because of the large structure of Cooperatives, they don't need to comply with the increasingly complex environmental regulations that other businesses must deal with.
- T F** 17. Cooperatives have not yet started to reflect the growing diversity among producers, but they need to.
- T F** 18. 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** 19. Retained patronage refunds are portions of net income allocated to members but retained by the cooperative.
- T F** 20. The cooperative form of business requires that the operations of the cooperative be on an at-cost (non-profit) basis.
- T F** 21. 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** 22. 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** 23. 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** 24. It is illegal for a marketing cooperative to require a member to market 100% of his or her products through the cooperative.

- T F** 25. Members of cooperatives elect directors at their annual meeting to run the cooperative for them. Usually each director is assigned a department to operate on a day-to-day basis, such as sales, feed, petroleum, etc.
- T F** 26. One objective of a purchasing cooperative is to reduce production costs for members through quantity purchasing, manufacturing and distributing.
- T F** 27. Cooperatives can be classified as centralized, federated, non-centralized, or non-federated.
- T F** 28. If a cooperative is trying to raise equity capital, it shouldn't sell underperforming or redundant assets because these assets will probably be sold at a low value and not raise much capital.
- T F** 29. Because a cooperative attempts to fulfill member needs at the least cost possible by purchasing certain supplies in bulk, it is not a necessary practice to charge competitive market prices for members.
- T F** 30. The Rochdale Equitable Pioneers' Society frowned upon the formation of cooperative businesses.
- T F** 31. In most cooperatives, control is maintained through the hiring/firing power of the board of directors.
- T F** 32. Before Capper-Volstead Act became a law, farmers were being prosecuted for acting together to market their products.
- T F** 33. If member-users have 100 percent of the voting rights, it means that they must have all the control of the cooperative.
- T F** 34. Cooperatives are incorporated as either stock or nonstock organizations.
- T F** 35. The Capper-Volstead Act completely defines terms such as "agricultural producer", "marketing", and "cooperative" in its provisions.

Tie Breaker: Please briefly describe (50 words or less) an example of a cooperative in Utah and how it provides services to members.