Cooperative Quiz

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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. 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** 2. Cooperatives can only fulfill their members needs when the costs are the highest facing the cooperative.

T F 3. 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 4. Cooperatives usually do not incorporate under state law which would include filling an article of incorporation, which grant them the right to do business.

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. Cooperative structure can be classified into five types as follows: geographic, governance, functions, financial, and other arrangements.

T F 8. A cooperative principal is an action that supports, complements, or carries out a principal.

T **F** 9. If member-users have 100 percent of the voting rights, it means that they must have all the control of the cooperative.

T F 10. The way a cooperative is organized determines how it is operated, managed, and controlled by its members, and the types of benefits offered.

T **F** 11. The chief executive officer, usually referred to as the manager is selected by all members of the cooperative.

T F 12. You are a centralized cooperative if there are individual producers that make up the membership.

T **F** 13. The four traditional principals are service at cost, financial obligations and benefits proportional to use, full return on equity capital, and democratic control.

T **F** 14**.** By joining together with other cooperatives you are losing stability and purchasing power in the ability to gain necessary equipment

T F 15. 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 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. The board of directors is the central element of producer control in a cooperative, where directors are elected by the members to create policies and oversee the implications.

T F 20. Some indirect benefits to members are leadership development, business knowledge, and social recognition.

T **F** 21. Producers are unable to act together even within their own association to have a common marketing agency that they are working with.

T F 22. Improve bargaining power, reduce costs, obtain products and services, create new and expand existing markets, improve qualities of products, and increase incomes are reasons why cooperatives are organized.

T F 23. Clearly Identifying your economic need, developing good leadership, , and following sound practices improve the chance of success for cooperatives.

T F 24. Most State cooperative incorporation statutes limit the proportion of business a cooperative can conduct with non-members to 50 percent.

T **F** 25. The members of a mixed cooperative are local cooperatives, operated by a manager hired by and responsible to local boards of directors.

T F 26. Ownership is expressed by equity investment in the enterprise and a claim on its assets.

T **F** 27. A Marketing Agency-in-Common, organized by two or more marketing cooperatives, handles and arranges the sale of its member's products.

T F 28. Interregional or national cooperatives are organized, owned, and controlled by regional cooperatives, usually to provide specific services. They may serve a major portion or virtually all of the United States.

T **F** 29. Before the passage of the Capper-Volstead act, farmers could lawfully unite to collectively market their products.

T F 30. Control can be forfeited if the members and directors fail to exercise proper oversight and review of hired management.

T **F** 31. The Capper-Volstead act is only reviewed every 4 years.

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. 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** 35. Cooperatives are not organized as corporations under state law but do have a general governance system based on a corporate model.

Tie Breaker: Please briefly describe (50 words or less) how the Capper Volstead Act has helped agriculture. (Write on the back)