

Cooperative Quiz

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

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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. A cooperative is organized in response to a general economic climate.
- T F 2. Member participation in decision making activities is not necessarily important for success.
- T F 3. Approving the bylaws and electing the board of directors should be done before the first annual meeting of the cooperative.
- T F 4. The steering committee should arrange for completion of an in-depth business plan prepared by a professional familiar with cooperative organization.
- T F 5. A newly organized cooperative’s chances for success can be improved by reaching an agreement on the cooperative’s mission.
- T F 6. A federated cooperative is a cooperative of cooperatives.
- T F 7. The basic structure of a cooperative is the same regardless of the size of the area it serves.
- T F 8. Cooperatives may perform one or more of the following functions: marketing products, purchasing supplies, and providing services.
- T F 9. If the association is a nonstock organization, it does not issue any certificates to show capital contribution of members.
- T F 10. 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** 11. The four traditional principles of cooperatives are: service at cost, financial obligation and benefits proportional to use, limited return on equity capital, and democratic control.
- T** **F** 12. The User-Owner Principle is that the people who control the cooperative are those who use it.
- 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. Mechanical innovations increase capacity of production, but don't lower the cost.
- T** **F** 16. To gain consumer acceptance and loyalty, cooperatives must "unlock" value in their commodities through differentiation.
- 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. Benefits available to cooperative members include both the right to receive services and to share in the earnings of the cooperative.
- T** **F** 20. Section 521 of the Internal Revenue Act requires that cooperatives can pay no more than 8% dividends on member equity and still enjoy tax exempt status.
- 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. When a cooperative integrates vertically, it means that it adds branch facilities to perform the same types of services and sometimes to handle additional products and services.
- 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. Member 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. A holding company has controlling ownership in two or more businesses. The holding company does not typically generate revenues through its own operations, but only through the companies it controls.
- T F 27. Market pooling means that members of the cooperative purchase farm supplies jointly and reduce costs because they buy in large volumes.
- 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. A cooperative is the only form of business that is expected to systematically return equity to owners.
- T F 30. A regional cooperative usually operates in a relatively small geographic area, typically within a radius of 10 to 30 miles.
- T F 31. In most cooperatives, control is maintained through the hiring/firing power of the board of directors.
- T F 32. Because cooperatives are designed to serve member-patrons, it is necessary to continually educate cooperative members about what the cooperative does so that they will remain supportive.
- 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. 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.

Tie Breaker: Please briefly describe (50 words or less) how you would help people in Utah understand cooperatives.