

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. 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 2. A cooperative is the only form of business that is expected to systematically return equity to owners.
- T F 3. Market pooling means that members of the cooperative purchase farm supplies jointly and reduce costs because they buy in large volumes.
- T F 4. A federated cooperative is a cooperative of cooperatives.
- T F 5. 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 6. A subsidiary is a corporation organized, owned, and controlled either totally or partially by a parent cooperative.
- T F 7. Direct member benefits from a cooperative include: leadership development, social recognition, and business knowledge.
- T F 8. Before the passage of the Capper-Volstead Act, farmers were persecuted for acting together to market their products.
- 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. One challenge facing cooperatives today is that there are fewer “intermediate” sized farms, which most closely resemble the traditional farm families that cooperatives were initially built to support.
- T F** 11. A regional cooperative usually operates in a relatively small geographic area, typically within a radius of 10 to 30 miles.
- T F** 12. Today’s three contemporary principles of the cooperative form of business are: User-Owner Principle, User-Control Principle, and User-Benefits Principle.
- T F** 13. 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** 14. Managers in cooperatives are responsible mostly for short-run decisions in the cooperative while the board of directors is responsible for long-run decisions.
- T F** 15. Cooperatives can be classified as centralized, federated, non-centralized, or non-federated.
- T F** 16. In cooperatives, direct benefits to members are policing the marketing of goods and services, leadership development, business knowledge, and social recognition.
- T F** 17. A cooperative is usually organized to deal with general economic conditions, and not specific problems.
- T F** 18. 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** 19. The Capper-Volstead Act provides limited antitrust exemption to associations of producers.
- T F** 20. The steering committee should arrange for completion of an in-depth business plan prepared by a professional familiar with cooperative organization.
- T F** 21. State statutes, Capper-Volstead, and Section 521 limit cooperative members to producers of agricultural products.
- T F** 22. 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** 23. The Capper-Volstead Act protects the general public against the possibility of undue price enhancement as a result of any monopoly position that a group of producers could legally achieve by getting together.

- T F 24. In a cooperative, ownership is expressed by the ability to exert authority over decisions-making process while control is expressed by equity investment in the cooperative.
- T F 25. Cooperatives are always relatively small organizations, so that each member is important.
- T F 26. A cooperative is owned by its members.
- T F 27. The largest 10 cooperatives conduct up to 50 percent of the grain and farm supply business.
- T F 28. In most cooperatives, control is maintained through the hiring/firing power of the board of directors.
- T F 29. If the association is a capital stock organization, it issues some kind of certificate to show capital contributions of members.
- T F 30. The Rochdale Equitable Pioneers' Society frowned upon the formation of cooperative businesses.
- T F 31. 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 32. At the first meeting of the cooperative, members must approve the bylaws and elect the board of directors.
- T F 33. 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 34. Interregional or national cooperatives are organized, owned, and controlled by regional cooperatives, usually to provide specific services.
- T F 35. It is not common practice to require that all members of the cooperative to invest capital in the business.

Tie Breaker: Please briefly describe (50 words or less) the unique attributes of a cooperative compared to other forms of business.