



National FFA Organization

Proficiency Awards Frequently Asked Questions (FAQ)

**For additional help, please contact
proficiency@ffa.org or call 317-802-4255**

Q. I have an error on line 13 of the Agricultural Proficiency Award Entrepreneurship Checksheet? Can you explain why this might occur?

The most common situations, which could cause this error, are over reported expenses or under reported income. The most common example of over reporting expenses occurs when student's own substantial non-productively invested assets, for instance a personal car. By listing the value of the car on line 2b on page 7, our program assumes that you had to purchase this item and automatically deducts the expense necessary for the automobile purchase from the "Maximum Possible Increase in Owners Equity", line 7 on page 8. Sometimes the student will also list the expense of purchasing the car on line 6, "Withdrawals fro Personal Living, Gifts, Income Taxes, Educational Expense, and All Other Personal Expenses" - here again our program deducts these expenses from the "Maximum Possible Increase in Owners Equity" if you list the car and the car expense both, you are, in fact, deducting this value twice, which could cause line 7 to be reduced below the Gain or Loss in Owner's Equity, Line 8.

When it comes to under reporting income, we often find that students leave out income, especially large gifts. Here again a large non-productive asset can cause this. Let's say a student is given a car and lists the value of the car on line 2b, on page 7. Again our program deducts the value of the car from the "Maximum Possible Increase in Owner's Equity". If you fail to list the value of the car as a gift on line 4 on page 8, a student may not show sufficient income to cover this increase in assets. Other non-reported income such as a non-SAE job, interest and capital gains from investments, and/or gifts, such as payments made on behalf of a student may also cause this error if they are not included on page 8.

Q. Member ID Number is listed on the cover page of the new 2001-2005 applications. How do I obtain this number?

The Member ID# is included on the cover page of the new 2001-2005 Proficiency Award applications. The National FFA Organization is in the process of implementing a new technology system that will automatically fill in the name, address, school, etc. of the member once you fill in your Member ID #. This system has not yet been implemented. If this number is on the application we will record it. If you do not have the number on your application you will not be penalized at this time. If you receive New Horizons, **your member ID # is listed at the top of the mailing label.** However, as stated above, this ID number is not required at this time.

Q. Since the aquaculture proficiency has not been sponsored, where should a student with an aquaculture SAE program apply?

If a student is involved with aquaculture production in either an entrepreneurship or placement situation, they should apply in the Specialty Animal Production area if it is animal in nature or Specialty Crop (or in some cases Nursery Operation) if it involves producing water garden plants. If the student's SAE is based in the processing phase of the aquaculture enterprise they may better fit into Agricultural Processing. Should the student be involved with a new or emerging technology within the aquaculture field, they may also consider the Emerging Agricultural Technology proficiency award area.

Q. Should wiring that is done on the home farm be applied on the agricultural mechanical energy systems or home and/or community development proficiency award?

The student could apply in either area as they meet the description printed in the handbook. Students completing the Home and/or Community Development proficiency award would usually apply in the placement area.

Q. HOW SHOULD WE HANDLE CONTRACT FARMING?

Contracts for raising of livestock or crops are most commonly and correctly counted as an entrepreneurship project, since such a contractor is an entrepreneur.

Q. I have a couple of students working on their home farms in shares. For instance I have a student with 110 steers in a feedlot situation. He owns 10 percent of these steers and his dad has the other 90 percent. His dad has put him in charge of the whole project (he does 100 percent of the work.) How should the proficiency application be completed?

On a proficiency application the student only counts 10% of the total project throughout the application. If his father isn't charging him cash for operating expenses, the student should count his savings from these potential expenses as income for the extra hours that he works (total hours minus his share, 10%). He actually is bartering labor for non-cash operating expenses. There is no free feed, etc. Remember, the bartered value should be a fair market value for the hours worked and any reported non-cash expenses in the summary must be covered by non-cash income in either the summary (page 6a/6b, line 1g) for bartered labor if directly related to the SAE or on page 8 if not directly related to the SAE).

Q. On the entrepreneurship application, how do we handle "capital transactions" when breeding livestock appreciate?

You use pages 6a/6b, line 1a, closing current/operating inventory, for all market livestock appreciation and/or other operating inventory changes. On pages 6a/6b, line 4a, Closing Non-Current/Capital inventory, is where you include purchased breeding livestock. Generally speaking all breeding livestock should be annually valued at market prices for this section, as we use cash/market values in our applications. Purchased breeding, draft and pleasure livestock are depreciable in book values used for tax purposes, but these values do not accurately represent student investment or assets for

our purposes.

- Q. Regarding the entrepreneurial application, pages 6A/6B, section V - is this for all SAE projects and inventory changes or just this application's SAE area? If for all inventory, do we include in section X gifts received that become part of the market value section of the records?**

Pages 6a/6b, Section V of the entrepreneurship proficiency application is only for items related to that proficiency award area. Any gifts received, even if not related to the proficiency award, should be listed on the application because they effect the student's net worth.

- Q. Do we account for changes in the values of gifts from year to year? For example, a shotgun given to the student valued at \$110 in December 1999 and a gift of \$90 in December of 2000.**

The gift should be shown at its initial value. A depreciation value should be used for depreciable items in the balance statement. Only items that effect income are depreciated in the proficiency award applications. The value of the gift at the time it is received is the correct value to record in the application on the "income" page.

- Q. In which proficiency award area do we put a student-owned dog breeding program?**

Small Animal Production and Care

- Q. What is the difference between "operating" and "current" inventory?**

None for our purposes – these are two terms for the same group of items. Operating or current assets or inventory are those items that the member expects to have for one year or less and all market animals, regardless of the length of time that they would be held. All items for resale would be included in this inventory, even purchased inventory that will be resold.

- Q. What is the difference between "capital" and "non-current" inventory?**

None for our purposes – these are two terms for the same group of items. Capital and non-current assets or inventory are those items that a member would normally expect to have a useful life of more than 1 year and all pleasure, draft and breeding animals.