

Name: _____ Chapter: _____
State: _____ Team No. _____
Member No. _____

FORESTRY BUSINESS PROBLEM
2017

Bill Linden, a local school teacher, purchased 50 acres of timberlands in Morgan County, Indiana on July 20, 2016. He paid \$2600 per acre and his closing costs for the land purchase were \$1200. He hired a forester, Laurel Wood, to provide him with an inventory and valuation of the merchantable timber on his property. Laurel charged Bill \$1000 for the inventory, valuation, and a forest management plan. Below are the results of the inventory and valuation given on a per acre basis.

Species	Board Feet (Doyle rule)	Stumpage value
Tuliptree	1050	\$367.50
Red Oak	800	\$440.00
White Oak	770	\$500.50
Hickory	725	\$181.25
Sugar Maple	600	\$270.00
Beech	560	\$67.20
Elm	200	\$24.00
Totals per acre	4705	\$1850.45

- What is the total value for timber on the 50 acres? 12 pts.
 - \$1850.45
 - \$91522.50
 - \$92522.50
 - \$93522.50
- What is the value per board foot for white oak? 12 pts.
 - \$0.55
 - \$0.65
 - \$500.50
 - \$1.54
- What is the average value per board foot for all species? 12 pts.
 - \$0.29
 - \$0.39
 - \$2.54
 - \$1850.45
- Bill asks Laurel to set up a cost basis account for his property purchase for tax management purposes. What is Bill's cost basis for this 50 acre purchase? 12 pts
 - \$130,000
 - \$131,000
 - \$132,200
 - \$222,522.50

5. Laurel estimated that Bill's timber was increasing in value by 6% annually, accounting for both growth in volume and gain in unit value. What is the per acre value of the timber after three years of growth? 15 pts.
- a. \$1961.48
 - b. \$2183.53
 - c. \$2203.92
6. After 10 years of growth, Bill now has 1020 board feet of white oak per acre. 15% of the white oak volume is now graded as veneer, worth \$2.00 per board foot. The remaining 85% of the white oak volume is valued at \$0.50 per board foot. What is the value of the white oak veneer for the 50 acres? 14 pts.
- a. \$306
 - b. \$2040
 - c. \$15,300
 - d. \$21,675
7. Using the same information from question 6, what is the value per acre of all white oak. 13 pts.
- a. \$306
 - b. \$433.50
 - c. \$739.50
 - d. \$2040
8. Bill sold standing timber using a sealed-bid sale process for a lump-sum of \$12,000 on August 20, 2017. Laurel charged Bill \$1200 for marketing and administering the sale. Laurel calculated that Bill had \$7800 of cost basis in the timber he sold. How much could Bill deduct from the proceeds of the sale for income tax calculating purposes? 10 pts.
- a. \$0
 - b. \$1200
 - c. \$7800
 - d. \$9000