

Recordkeeping & Cash Flow

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Today's Topics

- 1) Introduction to the clickers
- 2) Review of Recordkeeping and Cash Flow Forms
- 3) Practice Transactions
- 4) Other

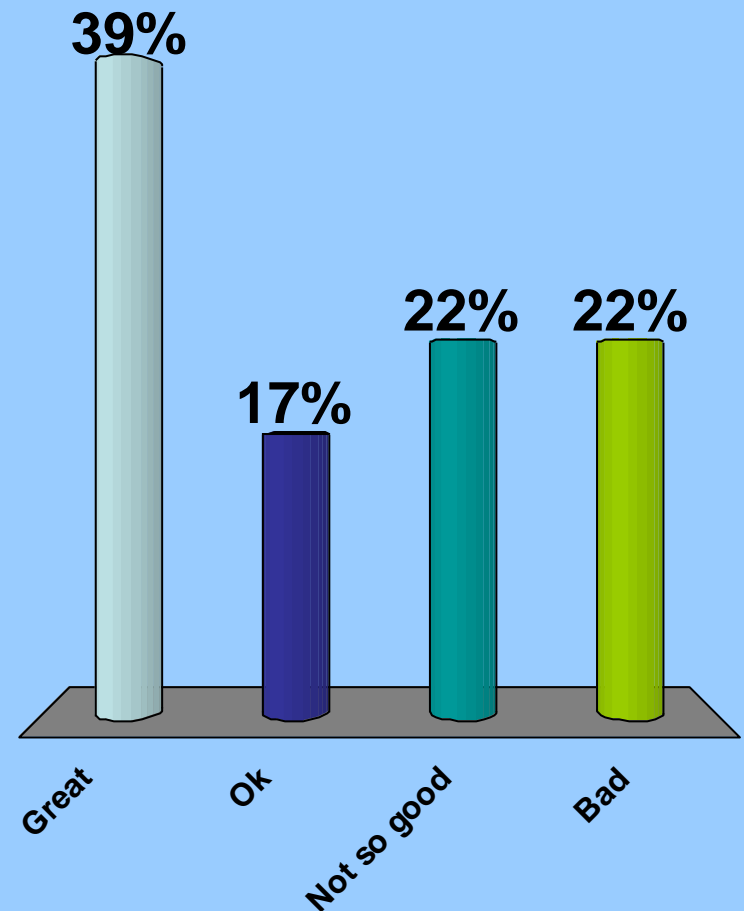
Practice Questions with the Clickers

- A question will appear on the screen
- On the keypad in your hand, press the number/letter which best fits your answer
- Watch for the green light

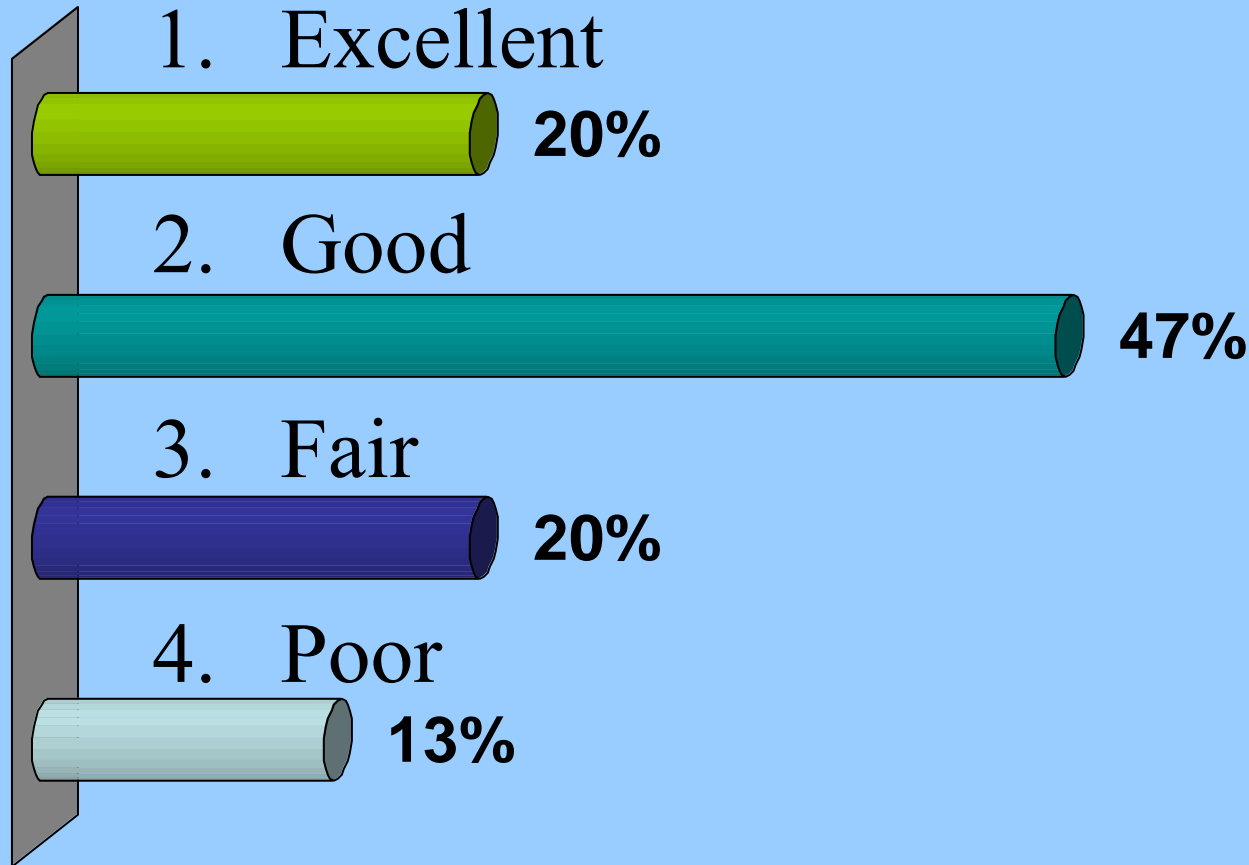


How are you doing today?

1. Great
2. Ok
3. Not so good
4. Bad



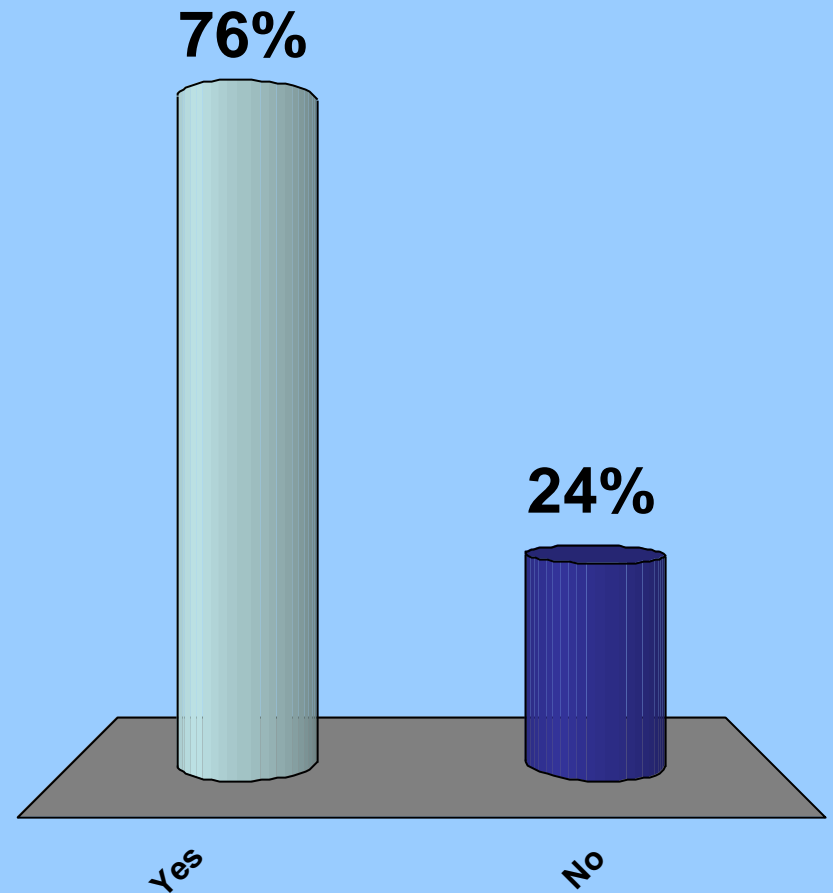
How would you rate your current level of understanding record keeping?



Did you attend any of the previous recordkeeping workshops?

1. Yes

2. No

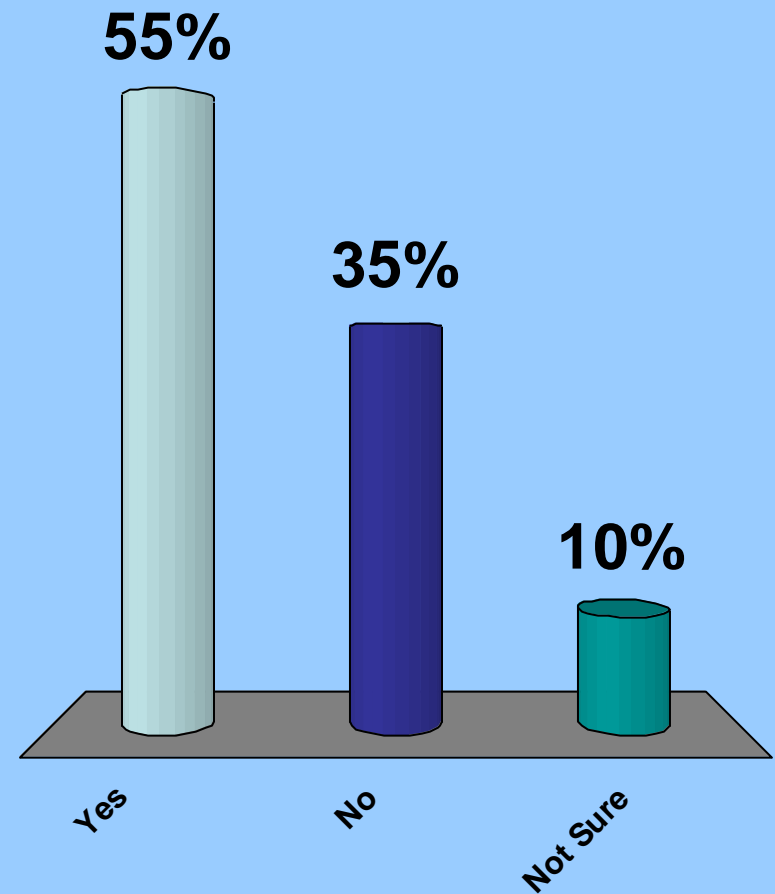


As a result of the previous workshops, have you started keeping records?

1. Yes

2. No

3. Not Sure



Basic Record Keeping Review

Basic Record Keeping: 5 Easy Steps

Five Steps:

- Step 1: Keep all income and expense receipts
- Step 2: Record business transactions
- Step 3: Transfer entries into Monthly Ledger
- Step 4: Estimate farm profit or loss
- Step 5: Enterprise analysis

Basic Record Keeping: 5 Easy Steps

Step 1: Keep All Income and Expense Receipts

- Save documentation of income and expenses
 - Ex: sales receipts, cash register tapes, check records, credit card receipts and statements
- Sort the income and expense documents by:
 - Crop or livestock enterprise, income or expense type
- This will provide valuable information for:
 - Estimating the profitability of each enterprise
 - Comparing competing enterprises
 - Calculating breakeven market prices or yields
 - Comparing different production techniques

Basic Record Keeping: 5 Easy Steps

Mixed Receipts

- There are three types of mixed receipts
 - No specific enterprise
 - Multiple enterprise
 - Farm and household

Basic Record Keeping: 5 Easy Steps

Step 2: Record Income and Expenses

- Not all journals separate transactions by enterprise
- Doing this can provide information to you in a way that will help you make better management decisions
- For transactions that are associated with two or more enterprises, do your best to allocate the income or cost to the appropriate enterprises

Basic Record Keeping: 5 Easy Steps

Step 3: Summarize Journal Entries into Monthly Ledger

- The monthly ledger sums all the income and expenses by account for each month:
 - List your income and expense categories
 - Add up the journal entries by account each month
 - Record the totals in the monthly ledger

Basic Record Keeping: 5 Easy Steps

Step 4: Estimate Farm Profit or Loss

- The income statement:
 - All income is summed on the top
 - Expenses are totaled on the bottom
- The document provides an estimate of the profitability of the farming business over the last year
- Obtaining the largest net farm income possible is the primary goal of most farmers
- To achieve this goal, you must select profitable crop and livestock enterprises

Basic Record Keeping: 5 Easy Steps

Step 5: Enterprise Analysis

- Estimate the profitability of each individual crop or livestock enterprise through an enterprise analysis
- For an enterprise analysis you use only those income and expenses associated with the specific crop or livestock enterprise
- Total income minus total expenses equals an estimate of the enterprise's profit or loss
- Performed on a yearly basis so you can keep track of which enterprises are profitable and which are not

Keeping Financial Records

Financial Records

- Financial records help answer questions like:
 - Am I making money?
 - Where is the money going?
 - Do I have money right now?
 - What is my income tax liability?
 - Will I have to borrow money?

Cash Flow and Other Financial Records

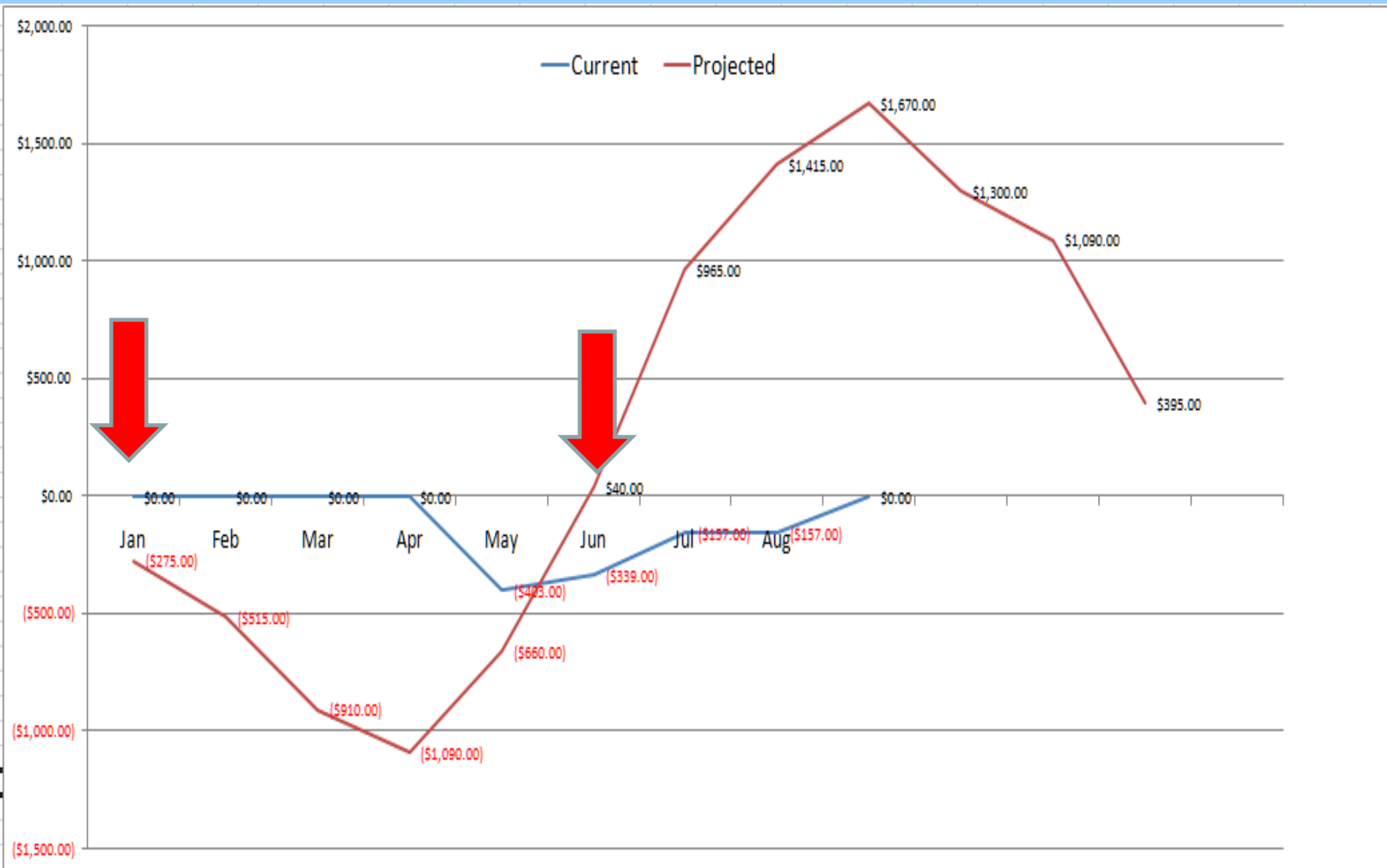
Cash Flow Statements

- Cash Flow Budget; A written estimate of cash inflow and outflow for a period. This is usually prepared annually, by months showing income, outflow and cash needed or surplus for each month.
- Projected Cash Flow; Same as above, but completed at the start of the year to help manage the cash flow needs of the operation

Projected Cash Flow

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	Monthly Income and Expenses															
2											year:	2009				
3																
4		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL	Projected	
5	Tomatoes				\$500.00	\$600.00	\$700.00	\$700.00	\$600.00	\$500.00				\$3,600.00		
6	Asparagus					\$300.00	\$500.00	\$500.00	\$400.00	\$200.00				\$1,900.00		
7	Corn					\$275.00	\$300.00	\$300.00						\$875.00		
8	Other													\$0.00		
9	Gross sales	\$0.00	\$0.00	\$0.00	\$500.00	\$1,175.00	\$1,500.00	\$1,500.00	\$1,000.00	\$700.00	\$0.00	\$0.00	\$0.00	\$6,375.00	\$0.00	
10																
11	Car & Truck (line 12)	\$75	\$65	\$60	\$80	\$70	\$65	\$75	\$70	\$85	\$65	\$70	\$75	\$855.00		
12	Chemicals (line 13)													\$0.00		
13	Conservation expenses (line 14)				\$75	\$80	\$80							\$235.00		
14	Custom Hire, machine work (line 15)			\$120			\$120			\$120			\$120	\$480.00		
15	Depreciation (line 16)													\$0.00		
16	Employee Benefit plan (line 17)													\$0.00		

Why Cash Flow Analysis is Important



Sample Forms of Related Financial Records

Financial Records: Three Related Forms

1) Expenses and Income

List of all farm related transactions; current balance/running total.

2) Monthly Financial Records

- Summary of information from the Expenses and Income for each month;
- One page totals for quicker analysis and planning.
- Categories are same as Schedule F tax form.

3) Annual Financial Record

- Summary of information from the Monthly Financial Records for each year.
- Six years on one page for quicker analysis and planning.

Financial Records

EXPENSES AND INCOME

From _____ to _____

Date	Description	Chk no.	Expense	Income	Account Balance

Checkbook or running total.
Record all money in and money out.

MONTHLY FINANCIAL RECORDS

YEAR _____

Name of owner/farm: _____

Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Revenue												
Car and truck												
Chemicals												
Fertilizers												
Insurance												
Hired labor												
Rent-mach&equip												
Rent-land												
Repair & maint												
Seeds & plants												
Other supplies												
Taxes												
LIABILITIES												

Totals for each month go here.
Same categories as Schedule F.

Financial Records

MONTHLY FINANCIAL RECORDS

Name of owner/farm: _____

YEAR _____

Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Revenue													
Car and truck													
Chemicals													
Fertilizers													
Insurance													
Hired labor													
Rent-mach&equip													
Rent-land													
Repair & maint													
Seeds & plants													
Other supplies													
Taxes													
Utilities													
Other													
Interest													
Total													
Net													

ANNUAL FINANCIAL SUMMARY

YEAR _____ YEAR _____

Month	Expense	Income	Month	Expense	Income
January			January		
February			February		
March			March		
April			April		
May			May		
June			June		
July			July		
August			August		
September			September		
October			October		
November			November		
December			December		
Total			Total		

ANNUAL FINANCIAL SUMMARY

YEAR _____ YEAR _____

Month	Expense	Income	Month	Expense	Income
January			January		
February			February		
March			March		
April			April		
May			May		
June			June		
July			July		
August			August		
September			September		
October			October		
November			November		
December			December		
Total			Total		

Profit or Loss: _____ Profit or Loss: _____

Grand totals for each month.
Space for six years.

December	Expense	Income	December	Expense	Income
Total			Total		

Profit or Loss: _____ Profit or Loss: _____

Example of record forms and practice transactions

Example Transactions May

	A	B	C	D	E	F
1	Crop Expenses and Income					
2						
3	Date	Description	Chk/Invoice no.	Expense	Income	Account Balance
4		Starting Balance				\$1,500.00
5	5/10/2010	Paid Land Rent	2253	\$50.00		\$1,450.00
6	5/14/2010	Purchased Fertilizer	2276	\$75.00		\$1,375.00
7	5/15/2010	Paid Telephone	2283	\$35.00		\$1,340.00
8	5/21/2010	Paid to Fix Flat on Truck (Truck Repair)	2285	\$108.00		\$1,232.00
9	5/25-26/2010	Attended Farm Mgt Workshop	2291	\$75.00		\$1,157.00
10	5/30/2010	Fuel and Oil	2296	\$60.00		\$1,097.00

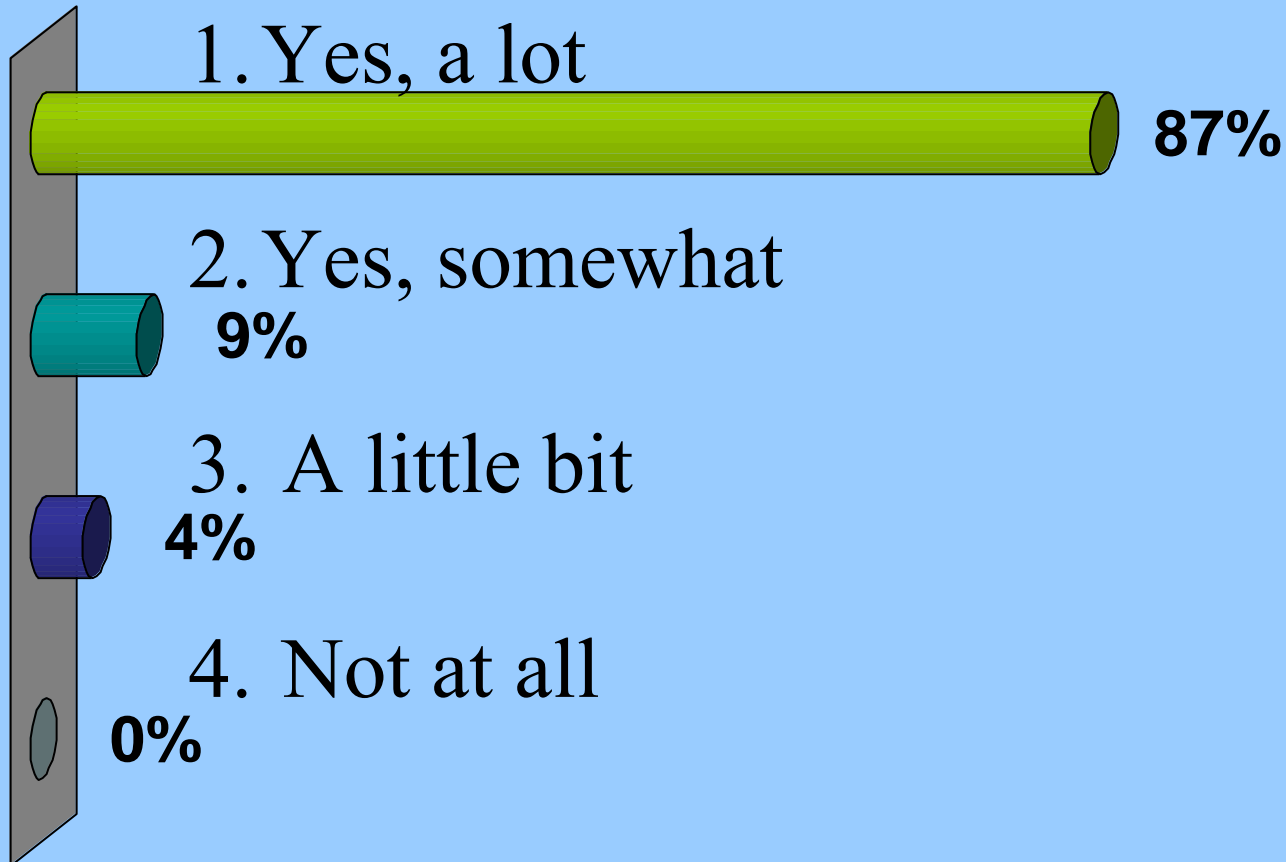
Example Transactions June

	A	B	C	D	E	F
1	Crop Expenses and Income					
2						
3	Date	Description	Chk/Invoice no.	Expense	Income	Account Balance
4		Starting Balance				\$1,500.00
11	6/1/2010	Purchased Harvest Boxes	2299	\$60.00		\$1,037.00
12	6/1/2010	Purchased Harvest Sacks	2300	\$50.00		\$987.00
13	6/15/2010	Paid Telephone Bill	2320	\$45.00		\$942.00
14	6/21/2010	Paid Hired Labor (2 people for 6 hrs each @ \$8.00 hr to Harvest Crops = \$96.00)	2325	\$96.00		\$846.00
15	6/22/2010	Gas for trip to Farmers Market	EFT	\$35.00		\$811.00
16	6/22/2010	Sold 10 Boxes of Tomatoes @ \$20.00 per box = \$200.00	A3356		\$200.00	\$1,011.00
17	6/22/2010	Sold 5 lbs of Asparagus @ \$6.00 per lb = \$30.00	C329		\$30.00	\$1,041.00
18	6/22/2010	Sold 20 Bushels of Corn @ \$6.00 per bushel = \$120.00	G3356		\$120.00	\$1,161.00

Example Transactions July

	A	B	C	D	E	F
1	Crop Expenses and Income					
2						
3	Date	Description	Chk/Invoice no.	Expense	Income	Account Balance
4		Starting Balance				\$1,500.00
19	7/10/2010	Attended IRC Workshop (Business/workshop expenses)	2436	\$25.00		\$1,136.00
20	7/13/2010	Paid Hired Labor (2 people for 6 hrs each @ \$8.00 hr to Harvest Crops = \$96.00)	2441	\$96.00		\$1,040.00
21	7/14/2010	Gas for trip to Farmers Market	2445	\$35.00		\$1,005.00
22	7/14/2010	Sold 20 Boxes of Tomatoes @ \$20.00 per box = \$400.00	A548		\$400.00	\$1,405.00
23	7/14/2010	Sold 15 lbs of Asparagus @ \$6.00 per lb = \$90.00	C449		\$90.00	\$1,495.00
24	7/14/2010	Sold 30 Bushels of Corn @ \$6.00 per bushel = \$180.00	G4215		\$180.00	\$1,675.00
25	7/15/2010	Paid Water Bill	2452	\$100.00		\$1,575.00
26	7/18/2010	Paid Telephone Bill	2509	\$35.00		\$1,540.00
27	7/20/2010	Paid Hired Labor (4 people for 6 hrs each @ \$8.00 hr to Weed Fields = \$192.00)	2512	\$192.00		\$1,348.00
28	7/30/2010	Fuel and Oil	2520	\$55.00		\$1,293.00

Did today's workshop improve your knowledge of recordkeeping?



I would like to have additional workshops covering financial Recordkeeping?

