

An Integrated Financial Management Package



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Agricultural producers need a complete farm record system for their business to analyze profitability and changes in equity. This record of accounts would go beyond just the information needed to complete income tax forms.

An excellent set of records provides not only a historical account of the business, but also provides information that can be used for budgeting and planning. Comparison of actual records to forward budgets allows the producer to make timely adjustments and improve financial planning. Problem areas can be determined, and management refined.

Financial accounting statements needed to summarize a farm's financial position and management ability are:

- Balance Sheet
- Income Statement
- Cash Flow Statement

For further information on these financial statements, see the following Farm Management guides: MF-275, *Cash Flow Projection for Operating Loan Determination*; MF-291, *Balance Sheet—A Financial Management Tool*; and MF-294, *Income Statement—A Financial Management Tool*.

Integrated Financial Statements

The Balance Sheet, Income Statement, and Cash Flow Statements shown on pages 2 to 4 of this guide present an integrated financial accounting package. These statements provide not only information for management, but also ensure overall record accuracy as information in one report is integrated into all other statements.

The Balance Sheet should be completed at the same time each year, allowing computation of the asset and liability picture for one full year. A balance sheet may include changes in retained earnings (net income remaining after family living withdrawals) and appreciation in assets. The balance sheet in Table 2 does not include capital gains on land, so this statement reflects changes in retained earnings.

The Income Statement (accrual) measures the financial performance of the farm business for a period of time. Adjustments to crop and livestock inventories and expenses are included in an accrual income statement.

The Cash Flow Statement combines the cash receipts and expenses from the Income Statement, as well as nonfarm income and expense, to provide a complete record of cash inflow and outflow. Note that capital asset purchases, family living withdrawals, and income and self-employment taxes are included as cash outflows in the cash flow statement. Capital asset purchases include machinery, building, and land purchases.

The financial statement package supplies the background information needed to develop a number of important financial and management ratios. These ratios provide information for managerial, credit, and investment analysis. For more information, see the following Farm Management Guide MF-270, *Financial Ratios Used in Financial Management*.

Table 1. Balance Sheet

	Jan. 1	Dec. 31	Average
ASSETS:			
Cash(1)	\$ 48,293	\$ 54,717	\$ 51,505
Marketable Securities(2)	0	0	0
Accounts Receivable(3)	1,897	1,999	1,948
Fertilizer and Supplies(4)	26,009	32,049	29,029
Investment in Growing Crops(5)	0	0	0
Crops Held for Sale and Feed(6)	156,323	186,620	171,472
Market Livestock(7)	80,656	81,369	81,013
TOTAL CURRENT ASSETS(8) (Add Lines 1 through 7)	\$ 313,178	\$ 356,754	\$ 334,966
Breeding Livestock(9)	\$ 56,773	\$ 57,259	\$ 57,016
Machinery and Equipment(10)	242,339	268,556	255,448
Buildings(11)	35,431	38,855	37,143
Investments in Cooperatives(12)	22,103	24,248	23,176
Land(13)	603,135	622,980	613,058
TOTAL NONCURRENT ASSETS(14) (Add Lines 9 through 13)	\$ 959,781	\$ 1,011,898	\$ 985,840
TOTAL ASSETS(15) (Add Lines 8 and 14)	\$1,272,959	\$ 1,368,652	\$ 1,320,806
LIABILITIES AND OWNER EQUITY:			
Accounts Payable(16)	\$ 0	\$ 0	\$ 0
Taxes Payable(17)	0	0	0
Accrued Expenses(18)	4,217	4,300	4,259
Current Portion: Deferred Taxes(19)	0	0	0
Notes Due Within One Year(20)	122,666	128,257	125,462
Current Portion of Term Debt(21)	15,483	16,217	15,850
Accrued Interest(22)	2,000	2,000	2,000
TOTAL CURRENT LIABILITIES(23) (Add Lines 16 through 22)	\$ 144,366	\$ 150,774	\$ 147,570
Noncurrent Portion: Deferred Taxes(24)	\$ 0	\$ 0	\$ 0
Noncurrent Portion: Notes Payable(25)	64,811	67,885	66,348
Noncurrent Portion: Real Estate Debt(26)	135,742	142,182	138,962
TOTAL NONCURRENT LIABILITIES(27) (Add Lines 24 through 26)	\$ 200,553	\$ 210,067	\$ 205,310
TOTAL LIABILITIES(28) (Add Lines 23 and 27)	\$ 344,919	\$ 360,841	\$ 352,880
OWNER EQUITY(29) (Subtract Line 28 from Line 15)	\$ 928,040	\$ 1,007,811	\$ 967,926
TOTAL LIABILITIES AND OWNER EQUITY (30) (Add Lines 28 and 29)	\$1,272,959	\$ 1,368,652	\$ 1,320,806

Table 2. Income Statement**Farm Business Receipts:**

Crop Cash Sales	(1A)	\$ 269,868	
Ending Crop Inventory	(1B)	<u>186,620</u>	
Beginning Crop Inventory	(1C)	<u>156,323</u>	
Accrual Gross Revenue from Crops	(1)		\$ 300,165
(Line 1A + Line 1B - Line 1C)			
Livestock and Milk Cash Sales	(2A)	\$ 171,748	
Ending Livestock Inventory	(2B)	<u>138,628</u>	
Beginning Livestock Inventory	(2C)	<u>137,429</u>	
Accrual Gross Revenue from Livestock and Milk	(2)		\$ 172,947
(Line 2A + Line 2B - Line 2C)			
Gain/Loss on Sale of Breeding Livestock Sales	(3)		\$ 0
Agricultural Program Payments	(4)		<u>22,102</u>
Crop Insurance Proceeds	(5)		<u>16,136</u>
Other Farm Income	(6)		<u>31,219</u>
GROSS REVENUE (Add Lines 1 through 6)	(7)		\$ 542,569
Livestock Purchases	(8)		<u>73,081</u>
Cost of Purchased Feed/Grain	(9)		<u>39,061</u>
VALUE OF FARM PRODUCTION (Line 7 - Line 8 - Line 9)	(10)		\$ 430,427
Farm Business Expenses:			
Labor Hired	(11)	\$ 15,078	
Repairs	(12)	<u>32,801</u>	
Seed	(13)	<u>35,156</u>	
Fertilizer	(14)	<u>53,471</u>	
Machine Hire	(15)	<u>13,470</u>	
Veterinarian Expense	(16)	<u>4,328</u>	
Marketing	(17)	<u>5,897</u>	
Fuel and Utilities	(18)	<u>33,027</u>	
Property Tax	(19)	<u>6,376</u>	
General Farm Insurance	(20)	<u>6,024</u>	
Cash Rent	(21)	<u>23,801</u>	
Herbicide and Insecticide	(22)	<u>25,666</u>	
Miscellaneous	(23)	<u>17,792</u>	
TOTAL CASH OPERATING EXPENSES	(24)		\$ 272,887
(Add Lines 11 through 23)			
Expense Inventory Adjustment	(25)	\$ -5,957	
Depreciation	(26)	<u>33,595</u>	
TOTAL OPERATING EXPENSES (Line 24 + Line 25 + Line 26) ..	(27)		\$ 300,525
Interest	(28)		\$ 20,908
TOTAL EXPENSES (Line 27 + Line 28)	(29)		\$ 321,433
NET FARM INCOME FROM OPERATIONS (Line 10 - Line 29) (30)			\$ 108,994
Gain/Loss on Sale of Capital Assets	(31)		\$ 0
NET FARM INCOME (Line 30 + Line 31)	(32)		\$ 108,994

Table 3. Cash Flow Statement

	Annual Estimate
CASH INFLOW ITEMS	
Livestock:	
Beef.....(1)	\$ 134,701
Swine.....(2)	16,457
Dairy.....(3)	18,741
Other Livestock.....(4)	1,849
Crops:	
Corn.....(5)	83,299
Grain Sorghum.....(6)	22,747
Wheat.....(7)	66,702
Soybeans.....(8)	79,247
Hay and Forage.....(9)	11,424
Other Crops.....(10)	6,449
Agricultural Program Payments.....(11)	22,102
Crop Insurance Proceeds.....(12)	16,136
Miscellaneous Income.....(13)	31,117
Capital Asset Sales.....(14)	5,469
Off-Farm Income.....(15)	13,642
TOTAL CASH INFLOW (Add Lines 1 through 15).....(16)	\$ 530,082
CASH OUTFLOW ITEMS	
Feed.....(17)	\$ 39,061
Hired Labor.....(18)	15,078
Repairs.....(19)	32,801
Seed.....(20)	35,156
Fertilizer.....(21)	53,471
Machine Hire.....(22)	13,470
Veterinarian Expense.....(23)	4,328
Marketing.....(24)	5,897
Fuel and Utilities.....(25)	33,027
Property Tax.....(26)	6,376
General Farm Insurance.....(27)	6,024
Cash Rent.....(28)	23,801
Herbicide and Insecticide.....(29)	25,666
Miscellaneous Expense.....(30)	17,792
Interest.....(31)	20,908
Beef Purchases.....(32)	70,469
Swine Purchases.....(33)	1,765
Dairy Purchases.....(34)	793
Other Livestock Purchases.....(35)	54
Capital Asset Purchases.....(36)	82,882
Family Living Withdrawals.....(37)	50,945
Income and Self-Employment Taxes.....(38)	8,978
TOTAL CASH OUTFLOWS (Add Lines 17 through 38).....(39)	\$ 548,742
NET CASH FLOW (Line 16 - Line 39).....(40)	\$ -18,660

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