



Farm Financial Statements

The financial position and performance of a farm business can be summarized by four important financial statements. Information from these statements can be used:

- v to make important financing and investment decisions
- v to substantiate credit applications
- v to derive performance measures for analyzing the farm business
- v to develop budgets for planning purposes

The major statements and their purposes are as follows:

Net Worth Statement—Summarizes the property and financial assets owned, the debts owed, and the net worth of the business at a point in time.

Net Income Statement—Summarizes the income generated, the expenses incurred, and the net income earned by the business during a period of time.

Statement of Cash Flows—Summarizes all the sources and uses of cash by the business during a period of time.

Statement of Owner Equity—Shows how net worth grew from the beginning to the end of the year.

Forms for preparing each of these statements are found at the end of this bulletin. Several supplemental schedules also are provided, where assets and liabilities can be listed, and their values carried forward to the statements. Most of the information can be taken from the same sources used to prepare your income tax return.

More detailed information can be found in the following Iowa State University Extension publications:

v *Your Net Worth Statement* (FM 1791)

v *Your Farm Income Statement* (FM 1816)

v *Twelve Steps to Cash Flow Budgeting* (FM 1792)

v *Financial Performance Measures for Iowa Farms* (FM 1845)

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And justice for all

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Net Worth Statement

Name _____ Date _____

Farm Assets	Cost Value	Market Value	Farm Liabilities	Market Value
Checking and savings accounts			Accounts payable (Sched. N)	
			Farm taxes due (Sched. O)	
Crops held for sale or feed (Sched. A)			Current notes and credit lines (Sched. P)	
Investment in growing crops (Sched. B)			Accrued interest - short (Sched. P)	
Commercial feed on hand (Sched. C)			- fixed (Sched. Q)	
Prepaid expenses (Sched. D)				
Market livestock (Sched. E)			Due in 12 months - fixed (Sched. Q)	
Supplies on hand (Sched. F)				
Accounts receivable (Sched. G)			Other current liabilities	
Other current assets				
Total Current Assets			Total Current Liabilities	
Unpaid coop. distributions (Sched. H)			Notes and contracts, remainder (Sched. Q)	
Breeding livestock (Sched. I)			Machinery	
Machinery and equipment (Sched. J)			Land	
Buildings/improvements (Sched. K)				
Farmland (Sched. L)				
Farm securities, certificates (Sched. M)				
Other fixed assets			Other fixed liabilities	
Total Fixed Assets			Total Fixed Liabilities	
a. Total Farm Assets			b. Total Farm Liabilities	
c. Farm Net Worth (a – b)			$\frac{\text{Current Assets (market)}}{\text{Current Liabilities}} = \text{_____ Current ratio}$	
d. Farm Net Worth Last Year			$\frac{\text{Total Liabilities}}{\text{Total Assets (market)}} = \text{_____ Debt-to-asset ratio}$	
e. Change in Farm Net Worth (c – d)				

Personal Assets

Personal Liabilities

Bank accounts, stocks, bonds		Credit cards, charge accounts, other loans	
Automobiles, boats, etc.		Automobile loans	
Household goods, clothing		Other loans, taxes due	
Real estate		Real estate, other long-term loans	
f. Total Personal Assets		g. Total Personal Liabilities	
h. Total Personal Net Worth (f – g)		$\frac{\text{Total Personal Liabilities}}{\text{Total Personal Assets}} = \text{_____ Debt-to-asset ratio}$	
i. Total Net Worth, Market Value (c + h)			

Net Farm Income Statement

Name _____ Year _____

Income

Cash Income		Income Adjustments	Ending	Beginning
Sale of livestock, other bought for resale		Crops held for sale or feed (Sched. A)		
Sales of market livestock, grain, produce		Market livestock (Sched. E)		
Cooperative distributions paid		Accounts receivable (Sched. G)		
Agricultural program payments		Unpaid coop. distributions (Sched. H)		
Crop insurance proceeds		Breeding livestock (Sched. I)		
Custom hire income				
Other cash income		Subtotal of Adjustments	b.	c.
Sales of breeding livestock		d. Value of Home Used Production		
a. Total Cash Income		e. Gross Farm Revenue (a + b - c + d)		

Expenses

Cash Expenses		Expense Adjustments	Beginning	Ending
Car and truck expenses		Investment in growing crops (Sched. B)		
Chemicals		Commercial feed on hand (Sched. C)		
Conservation expenses		Prepaid expenses (Sched. D)		
Custom hire		Supplies on hand (Sched. F)		
Employee benefits			Ending	Beginning
Feed purchased		Accounts payable (Sched. N)		
Fertilizer and lime		Farm taxes due (Sched. O)		
Freight, trucking		Accrued interest (Sched. P, Q)		
Gasoline, fuel, oil		Subtotal of Adjustments	g.	h.
Insurance				
Interest paid		i. Depreciation (Sched. J, K)		
Labor hired		j. Gross Farm Expenses (f + g - h + i)		
Pension and profit-share plans				
Rent or lease payments				
Repairs, maintenance		k. Net Farm Income from Operations (e - j)		
Seeds, plants				
Storage, warehousing				
Supplies purchased		l. Sales of Farm Capital Assets		
Taxes (farm)		m. Cost Value of Items Sold (Sched. J, K, L)		
Utilities		n. Capital Gains or Losses (l - m)		
Veterinary fees, medicine, breeding				
Other cash expenses				
Livestock purchased				
f. Total Cash Expenses		o. Net Farm Income (k + n)		

Statement of Cash Flows

Name _____ Year _____

Cash Farm Income and Expenses (Operating)	Cash Inflows	Cash Outflows
Total Cash Income (Line a, Net Farm Income Statement)		
Total Cash Expenses (Line f, Net Farm Income Statement)		
Capital Assets (Investing)		
Sales of Capital Assets (Line i, Net Farm Income Statement)		
Cost of Purchases and Trades (Sched. J, K, L)		
Loans (Financing)		
New Loans Received		
Principal Paid		
Nonfarm		
Nonfarm Income (wages, rents, interest, etc.)		
Nonfarm Expenditures (family living, income tax, etc.)		
Cash on Hand (farm and nonfarm cash, checking, savings)		
Beginning of Year (Net Worth Statement)		
End of Year (Net Worth Statement)		
Total		

If all cash transactions are included correctly, the totals for the two columns will be approximately equal.

Statement of Owner Equity

Name _____ Year _____

	Cost Value	Market Value
a. Farm Net Worth, Last Year (Line d, Net Worth Statement)		
b. Change in Market Value of Capital Assets (net of depreciation) (Line e, Net Worth Statement, market value _____ minus cost value _____)		
c. Net Farm Income (Line o, Net Farm Income Statement)		
	<i>same for cost and market</i>	
d. Net Nonfarm Withdrawals (Statement of Cash Flows, nonfarm income _____ minus nonfarm expenditures _____ , minus value of home used production _____ , line d, Net Farm Income Statement)		
	<i>same for cost and market</i>	
e. Farm Net Worth, This Year (Line c, Net Worth Statement)		

Line e should approximately equal the sum of lines a, b, c, and d.

Farm Financial Statements—Supporting Schedules

Name _____ Date _____

Schedule A. Crops Held for Sale or Feed

Description	Quantity	Unit	Price	Value
Total				

Schedule B. Investment in Growing Crops

Description	Acres	\$/acre	Value
Total			

Schedule C. Commercial Feed on Hand

Description	Quantity	Unit	Price	Value
Total				

Schedule D. Prepaid Expenses

Description	Quantity	Unit	Price	Value
Total				

Schedule E. Market Livestock

Description	Number	Average Weight	Total Weight	Price per Lb. or Hd.	Value
Total					

Schedule F. Supplies on Hand

Description	Quantity	Unit	Price	Value
Total				

Schedule G. Accounts Receivable

Description	Value
Total	

Schedule H. Unpaid Coop. Distributions

Description	Value
Total	

Schedule I. Breeding Livestock

Description	Number	Average Weight	Total Weight	Price per Lb. or Hd.	Value
Total					

Schedule J. Machinery and Equipment

	(a) Previous Cost Value	(b) Cost of Purchases and Trades	(c) Depreciation	(d) Cost Value of Items Sold	New Cost Value (a+b−c−d)	Market Value
Description						
Total						

Schedule K. Buildings and Improvements

Description	(a) Previous Cost Value	(b) Cost of Purchases and Trades	(c) Depreciation	(d) Cost Value of Items Sold	New Cost Value (a+b−c−d)	Market Value
Total						

Schedule L. Farmland

	(a) Previous Cost Value	(b) Cost of New Purchases	(c) Cost Value of Land Sold	(d) New Cost Value (a+b-c)	Market Value Per Acre	Total Market Value
Description						
Total						

Schedule M. Securities and Certificates

Description	Value	Description	Value
Total		Total	

Schedule N. Accounts Payable

Description	Value
Total	

Schedule O. Farm Taxes Due

Description	Value
Total	

Schedule P. Current Notes and Credit Lines

Source	Purpose	Balance Owed	Accrued Interest
Total			

Schedule Q. Fixed Notes and Contracts

Source and Purpose	Interest Rate	Date Due	Balance Owed	Due in Next 12 Months	Remainder	Accrued Interest
Total						