### Worksheet 2. Residual Income Method

**Returns**
- Grain receipts $________________
- Government program payments $________________
- Other income $________________
**Total returns** $________________ (A)

**Variable costs:**
- Seed $________________
- Fertilizer $________________
- Chemicals $________________
- Fuel, lube, and repairs $________________
- Crop insurance $________________
- Custom harvesting $________________
- Custom hauling $________________
- Operating interest $________________
- Labor:
  - Unpaid $________________
  - Hired $________________
**Other:________________**
**Total variable costs** $________________ (B)

**Fixed costs:**
- Equipment and machinery:
  - Depreciation\(^1\) $________________
  - Interest $________________
  - Taxes and insurance $________________
  - Subtotal $________________
- Fixed costs allocated to this lease
  - (multiply subtotal time % of acres in this lease) $________________
- Management\(^2\) $________________
**Total fixed costs** $________________ (C)

**Expected net return** = (A) - (B) - (C) = $________________ (D)

**Per acre cash rental** = Expected net return (D)/number of acres in lease $________________

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\(^1\) Using straight-line method, depreciation = (cost - salvage value)/years of life.
\(^2\) Percentage return desired, e.g., 5 percent, times the expected total returns.