

GENERAL INFORMATION

In today's business environment, the successful farm manager needs records for: 1) day-to-day decision-making, 2) forward planning, and 3) tax management. Some of the most common uses of good records are the measurement of operating and financial performance, supporting loan applications, arranging insurance coverage, estate planning and valuations, analyzing farm investments, measuring individual enterprise profitability, monitoring production inventories, and developing sound marketing plans.

An effective accounting system will aid the farm manager in evaluating the farm's liquidity, solvency, production and economic efficiency, and profitability. The perceptive use of internal information combined with information about markets, policies, and other production and economic factors improves the farmer's decision-making abilities.

Being a good producer is no longer good enough. To be successful in today's business environment, a farmer must also be a good financial manager. Accurate and efficient production, marketing, and financial management decisions require timely and extensive information. **Decision-making will be easier if a complete record keeping system is adopted, discipline is used to maintain the system, and the manager learns to effectively interpret the use of the records produced.**

HOW TO KEEP THIS RECORD BOOK

1. Decide who is to post the information in this book.
2. Decide where to keep the record book.
3. Determine the responsibilities of others besides the recordkeeper.
4. Designate where invoices and receipts are to be placed before they are posted.

Note: The recordkeeper should have the responsibility of filing invoices, receipts, and bank statements. If you deposit all money and pay all bills with checks and write memos on all your checks and deposit slips, you will have the foundation for a good record system.

This book was designed primarily for accounting and reporting income taxes on the "cash basis." Pages A-4a through A-5b provides examples of how to enter receipts and expenses. This book includes pages for financial and production analysis as well as accumulating data necessary for preparing your income tax returns. For a cash basis user, completion of the receipts/expenses section and the Section B analysis is necessary to accurately measure and analyze the farm or ranch financial production progress.

BENEFITS FROM KEEPING A FARM RECORD

The farm manager is able to:

1. Determine the farm earnings.
2. Detect the weaknesses in the farm business and, by strengthening them, increase farm earnings.
3. Provide accurate information for income and Social Security tax purposes.
4. Assist in establishing and maintaining good credit relations with banks and other lending agencies.
5. Furnish a record of important events and transactions for later use.
6. Apply good business methods to the farm operation.