SECTION B: SUMMARIZATION AND ANALYSIS

This section of the Oklahoma Farm and Ranch Account Book provides for the summarization and analysis of the farm or ranch's financial and production data for the current year. Completing this section accurately and thoroughly will provide information to facilitate evaluation of the business' overall performance as well as that of individual enterprises. Additionally, accurate and complete records are becoming an increasingly important tool in securing and maintaining an adequate line of credit.

The following definitions of terms and terminology may be helpful in the completion of this section. For additional discussion of financial statements and ratios, see: FS-751, Developing a Cash Flow Plan, http://agweb.okstate.edu/pearl/agecon/tax/f-751.pdf ; FS-752, Developing a Balance Sheet, http://agweb.okstate.edu/pearl/agecon/tax/f-752.pdf ; FS-753, Developing an Income Statement, http://agweb.okstate.edu/pearl/agecon/tax/f-753.pdf .

ACCRUED INTEREST: Accrued interest reflects the interest expense that has been incurred but has not been paid as of the balance sheet date.

ASSET TURNOVER RATIO: This ratio is a measure of how efficiently the business assets are being used to generate revenue. A farm business has two ways to increase profits – either by increasing the profit per unit produced or by increasing the volume of production (assuming the business is profitable). The higher the ratio, the more efficiently assets are being used to generate revenue.

AVERAGE EQUITY: Average equity is calculated by dividing the sum of the beginning and ending equity amounts by two.

AVERAGE TOTAL ASSETS: Average total assets is calculated by dividing the sum of the beginning and ending total assets by two.

BALANCE SHEET: The balance sheet is a powerful tool in decision making because it shows what is owned, what is owed, and the owner's equity. A basic accounting rule exists for these relationships: ASSETS = LIABILITIES + OWNER EQUITY. This equality always holds since any transaction which causes a change in value to one side of the equation will cause an identical change to the other side. The balance sheet provides information to determine the liquidity and solvency of the business at a specific point in time. A detailed explanation of the balance sheet appears in OSU Extension Facts 752, http://agweb.okstate.edu/pearl/agecon/tax/f-752.pdf.

BOOK VALUE: In financial planning and analysis, assets are frequently valued at book value which is cost plus improvements minus accumulated depreciation assets such as machinery, purchased breeding livestock, and buildings.

CASH FLOW STATEMENT: The cash flow statement is used to identify all sources and uses of cash going into and coming out of the business. The review of historical cash flow statements provides the user with an estimate of how much annual operating debt will be required, when the loan can be repaid, and loan repayment capacity for longer term debt obligations. A detailed explanation of a cash flow statement appears in OSU Extension Facts 751, http://agweb.okstate.edu/pearl/agecon/tax/f-751.pdf.

COST OF GOODS SOLD: The cost of any items purchased for resale must be inventoried (not considered an operational expense) at their purchase price. The cost of items purchased for resale are used in calculating the "cost of goods sold". For income tax reporting, the deduction of the cost of these items is allowed in the tax year the items are disposed of – not in the year acquired.

CURRENT ASSETS: Current assets include cash and other assets which are reasonably expected to be sold or consumed during the normal operating cycle of the business. A normal operating cycle is generally one year.

CURRENT LIABILITIES: Current liabilities are obligations that are due on demand or will become due within one year of the balance sheet date. Common current liabilities are accounts payable, notes payable, taxes payable and interest payable.

CURRENT PORTION OF TERM DEBT: The payments which will become due on non-current liabilities are reported as a current liability since they will be due within one year.
CURRENT RATIO: This ratio (current assets) current liabilities) indicates the extent to which current assets, if liquidated, would cover current liabilities. If the ratio is greater than 1, the business is considered liquid. The higher the ratio, the greater liquidity. For a farm or ranch operation, this ratio will vary substantially throughout the production

period. Thus, financial analysis should be reviewed at comparable times from year to year.

DEBT TO ASSET RATIO: This ratio, equal to total liabilities divided by total assets, is a means of expressing the risk exposure of the farm. The higher the ratio, the greater the financial risk exposure.

DEBT TO EQUITY RATIO: Also known as the leverage ratio, this ratio measures financial position. The ratio reflects the extent to which debt capital is being combined with equity (net worth) capital. The higher the value of the ratio, the more total capital supplied by the creditors and the less supplied by the owner(s).

INVESTMENT IN COOPERATIVES: There are three major types of cooperatives that have substantial dealings with farmers: supply cooperatives, the Farm Credit System, and marketing cooperatives. In general, investments in these cooperatives should be reported on the balance sheet at cost as a non-current asset. The cost investment should be increased for additional cash investments or declarations of noncash patronage distributions and decreased for cash distributions for the redemption of stock or for the allocation of cooperative losses to patrons.

INCOME STATEMENT: The income statement, or profit and loss statement as it is frequently called, measures the profitability of a business over a specific period of time, generally, a calendar year. The primary purposes of an income statement are to 1) determine the profitability of a business, 2) identify sources for profits or losses, and 3) show the disposition of receipts. A detailed explanation and illustration of an income statement appears in OSU Extension Facts 753, http://agweb.okstate.edu/pearl/agecon/tax/f-753.pdf .

INVESTMENT IN GROWING CROPS: For valuing growing crops, the balance sheet should reflect the cash investment in those crops, including the direct cost of seed, chemicals, fertilizer, and fuel up to the date the balance sheet is prepared.

OWNER EQUITY: Net worth or owner equity is determined by subtracting total liabilities from total assets. Equity is a residual estimating the owner's claims against the business after all debts are satisfied. Owner equity and net worth are used synonymously within the accounting profession.

NET FARM INCOME: Net farm income is computed by netting the following items: 1) net cash income from operations, 2) adjustments for accrued expenses, 3) depreciation, 4) adjustments for changes of inventory and cash investment in growing crops, 5) capital gains (losses), 6) value of farm products used in the home, and 7) value of raised livestock added to the breeding herd during the year.

PREPAID EXPENSES: As the name implies, a prepaid expense is a production cost that has been paid for in advance of its use. To properly reflect income, at the time of prepayment an asset is recorded and as the item is used or consumed, it becomes an expense. Examples of expense items which are occasionally prepaid include feed, fertilizer, and fuel.

RETURN ON ASSETS: This ratio measures the rate of return on assets and frequently is used as an overall index of profitability. The higher the value, the more profitable the business. The rate of return on farm assets may seem low when compared to non-farm investments. However, it should be recognized that unrealized capital gains and losses on farm real estate and other capital assets are not included as income.

RETURN ON EQUITY: The return on equity is computed by subtracting the value of unpaid family labor and the opportunity cost of the operator's labor from net farm income. The opportunity cost of the operator's labor is that return (amount) that the operator could earn if his or her labor was employed in an alternative way. The return on equity can then be compared to the return possible in alternative investments.

UNPAID LABOR AND MANAGEMENT: Many farm operations are organized as a sole proprietorship or partnership and do not pay compensation to the operator(s) and family members for labor and management. A charge for unpaid operator and family labor and management must be subtracted from net income from operations to calculate the return on assets and/or equity. This amount can either be determined based on 1) an opportunity cost or 2) the withdrawals for family living.

WORKING CAPITAL: Working capital is the dollar difference between current assets and current liabilities. The desired minimum level for this financial analysis measure will vary given the type of enterprises and the growth stage of the business.

YEAR:_____

CASH INFLOW (Receipts Summary)

Line	CASH RECEIPTS: (From A-6a and A-6b)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Line
1	Sale of Purch. Lvst													1
2														2
3														3
4														4
5														5
6	Wheat													6
7														7
8														8
9														9
10														10
11														11
12	Ag Program Pymts													12
13	CCC Loans													13
14	Disaster & Crop Ins													14
15	Custom Hire													15
16	Other Farm Income													16
A	OPERATING RECEIPTS (Sum lines 1 thru 16)													A
17	All Loans Received													17
18	Other Non-Taxable Receipts													18
19	Sale: Capital Assets													19
20	Rent & Royalty													20
21	Interest & Dividends													21
22	Other Taxable Receipts													22
B	TOTAL CASH INFLOW (Sum lines A and 17 thru 22)													B

A= Sum lines 1 through 16:

B= Sum lines A and lines 17 thru 22. Carry the “Total Cash Inflow” for each month to page B-5a, line B.

CASH INFLOW (Receipts Summary)

Line	CASH RECEIPTS:	Sub-Total For Period ______To______		Sub-Total For Period ______To______		Sub-Total For Period ______To______		Year End Total	
1	Sale of Purch. Lvst								
2									
3									
4									
5									
6	Wheat								
7									
8									
9									
10									
11									
12	Ag Gov't Program Pymts								
13	CCC Loans								
14	Disaster & Crop Ins								
15	Custom Hire								
16	Other Farm Income								
A	OPERATING RECEIPTS (Sum lines 1 thru 16)								
17	All Loans Received								
18	Non-Taxable Receipts								
19	Sale: Capital Assets								
20	Rent & Royalty								
21	Interest & Dividends								
22	Other Taxable Receipts								
B	TOTAL CASH INFLOW (Sum lines A and 17 thru 22)	*		*		*		*	

*This cell should be totaled horizontally and vertically.
Any discrepancy indicates an error in posting or totaling.

SUGGESTIONS FOR TOTALING

The "Cash Inflow" and "Cash Outflow" summary pages enable the user to develop a monthly cash flow analysis. Cash flow planning and analysis is increasingly valuable tools in financial management. The trend of substituting capital for labor increases the need for better cash management.

Development of monthly cash flow reports provides you as the manager a better understanding of the farm or ranch cash needs and timing. These reports can also provide your creditors with a better understanding of your operation's cash requirements. Communication is one of the most important ingredients in developing and maintaining a good relationship with your creditors. Photocopying and providing these cash flow pages to your creditors is an excellent communication tool.

The rows in the cash flow summaries correspond to columns on the "Receipts" and "Expenses" pages. Columns are provided for periodic sub-totals during the year, for example, Jan. – Aug., Jan. – Oct., etc. Subtotaling can be a very effective income tax planning tool.

YEAR:_____

CASH OUTFLOW (Expenses Summary)

Line		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Line
B	TOTAL CASH INFLOW (From B-4a)													
	CASH EXPENSES													
1	Lvst Purch for Resale													1
2	Car & Truck Expenses													2
3	Chemicals													3
4	Conservation													4
5	Custom Hire													5
6	Employee Benefits													6
7	Feed													7
8	Fertilizer & Lime													8
9	Freight & Trucking													9
10	Gas, Fuel & Oil													10
11	Insurance: Farm													11
12	Interest: Farm Mortgage													12
13	Interest: Farm (Other)													13
14	Labor Hired													14
15	Pension & Profit-sharing													15
16	Rent or Lease													16
17	Repairs & Maintenance													17
18	Seeds & Plant													18
19	Storage & Warehousing													19
20	Supplies													20
21	Taxes: Farm Property													21
22	Utilities													22
23	Vet, Breeding & Med													23
24	Other Expenses: Fees, Dues, Misc.													24
C	OPERATING EXPENSES (Sum lines 2 thru 24)													C
25	Capital Purchases: Breeding Livestk, Equip, Bldgs, Land													25
26	Loan Principal Payments													26
27	Non-Farm Expenses													27
D	TOTAL CASH OUTFLOW (Sum 1,C, and 25 thru 27)													D
E	NET CASH FLOW (B - D)													E
F	ACCUM NET CASH FLOW													F

C=Sum lines 2 through 24; D=Sum lines 1, C, and 25 through 27; E=Line B - line D; F=Current line E + previous line F.

YEAR:_____

CASH OUTFLOW (Expenses Summary)

Line		Sub-Total For Period _____To_____		Sub-Total For Period _____To_____		Sub-Total For Period _____To_______		Year End Total			
	TOTAL CASH INFLOW										
	CASH EXPENSES										
1	Lvst Purch for Resale										
2	Car & Truck Expenses										
3	Chemicals										
4	Conservation										
5	Custom Hire										
6	Employee Benefits										
7	Feed										
8	Fertilizer & Lime										
9	Freight & Trucking										
10	Gas, Fuel & Oil										
11	Insurance: Farm										
12	Interest: Farm Mortgage										
13	Interest: Farm (Other)										
14	Labor Hired										
15	Pension & Profit-sharing										
16	Rent or Lease									Vehicles, Mach, Equip	Other
17	Repairs & Maintenance										
18	Seeds & Plant										
19	Storage & Warehousing										
20	Supplies										
21	Taxes: Farm Property										
22	Utilities									Farm Share	Non-Farm
23	Vet, Breeding & Med										
24	Other Expenses: Fees, Dues, Misc.										
C	OPERATING EXPENSES (Sum lines 2 thru 24)										
25	Capital Purchases: Breeding Livestk, Equip, Bldgs, Land										
26	Loan Principal Payments										
27	Non-Farm Expenses										
D	TOTAL CASH INFLOW (Sum 1, C, 25 thru 27)	*		*		*		*			
E	NET CASH FLOW (B - D)										

* This cell should be totaled horizontally and vertically. A discrepancy indicates an error in posting or totaling.

FARM BALANCE SHEET

As of ______________ , ________
Date Year

List only the assets and liabilities associated or supported by your farming business. Numbers in parentheses refer to page numbers for asset lists.

FARM ASSETS	Market Value	Cost Value	FARM LIABILITIES AND EQUITY	Market Value	Cost Value
CURRENT ASSETS:			CURRENT LIABILITIES:		
1. Cash & Checking (A-11a)			23. Accounts and Notes Payable (A-12a)		
2. Accounts Receivable (A-11a)			24. Line of Credit and Operating Notes (A-12a & b)		
3. Prepaid Expenses (A-11a)			25. Current Portion of Term Debt (A-12c & d)		
4. Cash Investment in Growing Crops (A-11a)			26. Accrued Interest (A-12a to A-12d)		
5. Inventory: Marketable Livestock (A-11b)			27. Taxes Payable: Ad Valorem (A-12b)		
6. Raised Crops and Feed (A-11b)			28. Taxes Payable: Employee Withholding (A-12b)		
7. Purchased Feed (A-11b)			29. Taxes Payable: Income Taxes (A-12b)		
8. Supplies (A-11b)			30. Taxes Payable: Deferred Taxes(A-12b)		
9. Other Current Assets (A-11c)			31. Other Accrued Expenses (A-12b)		
10. Total Current Farm Assets (Sum Lines 1 thru 9)			32. Other Current Liabilities (A-12c)		
			33. Total Current Farm Liabilities (Sum Lines 23 thru 32)		Same
NON-CURRENT ASSETS:			NON-CURRENT LIABILITIES:		
11. Breeding Livestock: Purchased (A-11c)			34. Non-Current Portion of Term Debt (A-12c & d)		
12. Raised (A-11c)			35. Deferred Taxes		
13. Machinery and Equipment (A-11d)			36. Other Non-Current Liabilities (A-12d)		
14. Vehicles (A-11e)			37. Total Non-Current Farm Liabilities (Sum Lines 34 thru 36)		Same
15. Investment in Capital Leases (A-11e)					
16. Contracts and Notes Receivable (A-11f)			38. Total Farm Liabilities (Line 33 + Line 37)		
17. Investment in Cooperatives (A-11f)					
18. Real Estate (A-11g)			39. Contributed Capital		
19. Buildings & Improvements (A-11g)			40. Retained Earnings		
20. Other Non-Current Assets (A-11h)			41. Total Valuation Equity		
21. Total Non-Current Farm Assets (Sum Lines 11 thru 20)			42. Farm Equity (Line 22 - Line 38)		
22. Total Farm Assets (Line 10 + Line 21)			43. Total Farm Liabilities and Equity (Line 38 + Line 42)		

NON-FARM BALANCE SHEET

As of ______________ , ________
Date Year

List only the assets and liabilities associated or supported by your farming business. Numbers in parentheses refer to page numbers for asset lists.

NON-FARM ASSETS	Market Value	Cost Value	NON-FARM LIABILITIES AND EQUITY	Market Value	Cost Value
CURRENT ASSETS:			CURRENT LIABILITIES:		
1. Cash & Checking (13a)			24. Accounts and Notes Payable (14a)		
2. Savings (13a)			25. Line of Credit and Operating Notes (14a & b)		
3. Marketable Securities (13a)			26. Current Portion of Term Debt (14c & d)		
4. Accounts Receivable (13a)			27. Accrued Interest (14a to 14d)		
5. Other Current Assets (13b)			28. Taxes Payable: Ad Valorem (14b)		
6.			29. Taxes Payable: Employee Withholding (14b)		
7.			30. Taxes Payable: Income Taxes (14b)		
8.			31. Taxes Payable: Deferred Taxes (14b)		
9.			32. Other Accrued Expenses (14b)		
10.			33. Other Current Liabilities (14c)		
11. Total Current Assets (Sum Lines 1 thru 10)			34. Total Current Liabilities (Sum Lines 24 thru 33)		Same
NON-CURRENT ASSETS:			NON-CURRENT LIABILITIES:		
12. Vehicles (13b)			35. Non-Current Portion of Term Debt (14c & d)		
13. Cash Value, Life Insurance (13b)			36. Deferred Taxes		
14. Investment in Other Entities (13c)			37. Other Non-Current Liabilities (14d)		
15. Residence (13c)			38. Total Non-Current Liabilities (Sum Lines 35 thru 37)		Same
16. Real Estate (13d)					
17. Buildings & Improvements (13d)			39. Total Liabilities (Line 34 + Line 38)		
18. Other (13e)					
19.			40. Contributed Capital		
20.			41. Retained Earnings		
21.			42. Total Valuation Equity		
22. Total Non-Current Assets (Sum Lines 12 thru 21)			43. Non-Farm Equity (Line 24 - Line 43)		
23. Total Non-Farm Assets (Line 11 + Line 22)			44. Total Non-Farm Liabilities and Equity (Line 39 + Line 43)		

CAPITAL ASSET GAIN (LOSS) WORKSHEET

ASSET DESCRIPTION	Date Acquired	Date Sold	Sale Price	Cost or Other Basis	Depreciation Allowed or Allowable	Culled Breeding Livestock Gain (Loss)	Farm Capital Assets Gain (Loss)	Farm Extraordinary Capital Gain (Loss)[1]	Non-Farm Capital Asset Gain (Loss)

[1] Extraordinary times are defined by financial reporting standards as events which are both: 1) unusual in nature AND 2) infrequent in occurrence.

INCOME STATEMENT

For the Period January 1, ___________ Thru December 31, ___________

1	Cash Operating Receipts (A-4b, Line A)		
2	Value of Farm Products Consumed		
3	Value of Raised Livestock Added to the Breeding Herd During the Year[1]		
4	Gain (Loss) From the Sale of Culled Breeding Livestock (B-8)		
5	Accrual Adjustments (B-10a, Line 4 + Line 8 + Line 12 + Line 16 + Line 20 + Line 24 + Line 28 + Line 32)		
6	Gross Farm Revenue (Sum Lines 1, 2, 3, 4, and 5)		
7	Cash Operating Expenses (B-5b, Line C)		
8	Depreciation Expense (Tax Return or Estimated Amount)		
9	Accrual Adjustments (B-10b, Line 4 + Line 8 + Line 12 + Line 16 + Line 20 + Line 24 + Line 28 + Line 32 + Line 36 + Line 40)		
10	Total Farm Expenses (Sum Lines 7, 8, and 9)		
11	Net Farm Income from Operations (Line 6 - Line 10)		
12	Gain (Loss) on Sale of Farm Capital Assets (B-8 excluding Breeding Livestock)		
13	Net Farm Income (Line 11± Line 12)		
14	Non-Farm Taxable Receipts (B-4b, Line 20, 21, & 22)		
15	Non-Farm Tax Deductible Expenses (B-5b, Line 27)		
16	Total Non-Farm Income (Line 14 - Line 15)		
17	Net Income Before Taxes & Extraordinary Items (Line 13 ± Line 16)		
18	Income Tax Expense (Tax Return or B-14, Line 20 + 21)		
19	Extraordinary Gains or Losses (Net of Tax) (B-8)		
20	Net Income (Line 17 - Line 18 ± Line 19)		

[1] See WF-323, Valuation of Raised Breeding Livestock, http://agweb.okstate.edu/pearl/agecon/farm/wf-323.pdf .

INCOME STATEMENT – SUPPLEMENTAL SCHEDULE

For the Period January 1, __________ Thru December 31, __________

1	**Accounts Receivable:**			17	**Raised Crops & Feed:**		
2	Ending Balance (Page A-11a)	____		18	Ending Balance (Page A-11b)	____	
3	Beginning Balance (Page A-11a)	____		19	Beginning Balance (Page A-11b)	____	
4	Change in Accounts Receivable (Line 2 – Line 3)		____	20	Change in Raised Crops & Feed (Line 18 – Line 19)		____
5	**Prepaid Expenses:**			21	**Purchased Feed:**		
6	Ending Balance (Page A-11a)	____		22	Ending Balance (Page A-11b)	____	
7	Beginning Balance (Page A-11a)	____		23	Beginning Balance (Page A-11b)	____	
8	Change in Prepaid Expenses (Line 6 – Line 7)		____	24	Change in Purchased Feed (Line 22 – Line 23)		____
9	**Cash Investment, Growing Crops:**			25	**Supplies:**		
10	Ending Balance (Page A-11a)	____		26	Ending Balance (Page A-11b)	____	
11	Beginning Balance (Page A-11a)	____		27	Beginning Balance (Page A-11b)	____	
12	Change in Cash Investment, Growing Crops (Line 10 – Line 11)		____	28	Change in Supplies (Line 26 – Line 27)		____
13	**Marketable Livestock:**			29	**Other Current Assets:**		
14	Ending Balance (Page A-11b)	____		30	Ending Balance (Page A-11c)	____	
15	Beginning Balance (Page A-11b)	____		31	Beginning Balance (Page A-11c)	____	
16	Change in Marketable Livestock (Line 14 – Line 15)		____	32	Change in Other Current Assets (Line 30 – Line 31)		____

INCOME STATEMENT – SUPPLEMENTAL SCHEDULE

For the Period January 1, __________ Thru December 31, __________

1	**Accounts & Notes Payable:**			21	**Other Current Liabilities:**		
2	Ending Balance (Page A-12a)	____________		22	Ending Balance (Page A-12c)	____________	
3	Beginning Balance (Page A-12a)	____________		23	Beginning Balance (Page A-12c)	____________	
4	Change in Accounts & Notes Payable (Line 2 – Line 3)		____________	24	Change in Other Current Liabilities (Line 22 – Line 23)		____________
5	**Line of Credit Operating Notes:**			25	**Other Current Liabilities Accrued Interest:**		
6	Ending Balance (Page A-12a)	____________		26	Ending Balance (Page A-12a & b)	____________	
7	Beginning Balance (Page A-12a)	____________		27	Beginning Balance (Page A-12a & b)	____________	
8	Change in Line of Credit Operating Notes (Line 6 – Line 7)		____________	28	Change in Current Liab. Accrued Interest (Line 26 – Line 27)		____________
9	**Short Term Operating Notes:**			29	**Non-Real Estate Notes Accrued Interest:**		
10	Ending Balance (Page A-12b)	____________		30	Ending Balance (Page A-12c)	____________	
11	Beginning Balance (Page A-12b)	____________		31	Beginning Balance (Page A-12c)	____________	
12	Change in Short Term Operating Notes (Line 10 – Line 11)		____________	32	Change in Non-Real Estate Notes (Line 30 – Line 31)		____________
13	**Taxes Payable:**			33	**Real Estate Notes Accrued Interest:**		
14	Ending Balance (Page A-12b)	____________		34	Ending Balance (Page A-12d)	____________	
15	Beginning Balance (Page A-12b)	____________		35	Beginning Balance (Page A-12d)	____________	
16	Change in Taxes Payable (Line 14 – Line 15)		____________	36	Change in Real Estate Notes (Line 34 – Line 35)		____________
17	**Other Accrued Expenses:**			37	**Other Non-Current Liabilities Accrued Interest:**		
18	Ending Balance (Page A-12b)	____________		38	Ending Balance (Page A-12d)	____________	
19	Beginning Balance (Page A-12b)	____________		39	Beginning Balance (Page A-12d)	____________	
20	Change in Other Accrued Expenses (Line 18 – Line 19)		____________	40	Change in Other Non-Current Liabilities (Line 38 – Line 39)		____________

FARM FINANCIAL ANALYSIS

As of December 31, ________ and
For the Period January 1, ___________ Thru December 31, ____________

Liquidity Analysis				
	Current Ratio =	\$___________ ÷ _______________ Current Assets ÷ Current Liabilities B-6, L. 10 B-6, L. 33	=	______%
	(This ratio indicates the extent to which current assets, if liquidated, would cover current liabilities.)			
	Working Capital	\$___________ - _______________ Current Assets - Current Liabilities B-6, L. 10 B-6, L. 33	=	\$_______
	(Working capital is a theoretical measure of the ability of an enterprise to meet its short-term obligations.)			
Solvency Analysis				
	Debt to Asset Ratio	\$___________ ÷ _______________ Total Liabilities ÷ Total Assets B-6, L. 38 B-6, L. 22	=	______%
	(This ratio expresses what proportion of total assets is owed to creditors.)			
	Debt to Equity Ratio	\$_____________ ÷ _______________ Total Liabilities ÷ Total Equity B-6, L. 38 B-6, L. 42	=	______%
	This leverage ratio reflects the extent to which debt capital is being combined with equity capital.)			
Profitability				
	Rate of Return on Assets (ROA) =	(\$_____________+\$_____________ - \$_________________) ÷ \$_________________ (Net Farm Income + Interest Expense[1] – Unpaid Labor & Mgmt.[2]) ÷ Average Total Assets[3] B-9, L. 13 B-6, L.22	=	______%
	(This ratio measures the rate of return on total assets.)			
	Rate of Return on Equity (ROE) =	(\$_____________ - \$___________________) ÷ \$_____________ (Net Farm Income - Unpaid Labor & Mgmt.) ÷ Average Equity[4] B-9, L. 13 B-16, L. 44	=	______%
	(This ratio measures the rate of return on equity capital employed in the business.)			

FARM FINANCIAL ANALYSIS

As of December 31, ________ and
For the Period January 1, ___________ Thru December 31, ___________

Liquidity Analysis			
Asset Turnover =	$________________ ÷ ________________ Gross Farm Revenue ÷ Average Total Assets B-9, L. 6 B-6, L. 24	=	______%
(The asset turnover ratio is a measure of how efficiently farm assets are being used to generate revenue.)			
Operating Expense Ratio =	($________________ + $_____________ - $__________) ÷ $________________ (Total Operating Expense + Interest Expense[1] – Depreciation) ÷ Gross Farm Revenue B-9, L. 10 B-9, L. 8 B-9, L. 6	=	______%
(This ratio reflects the percentage of cash farm expenses (excluding interest) to gross receipts generated by the operation.)			
Interest Expense Ratio =	$_____________ ÷ ________________ Interest Expense[1] ÷ Gross Farm Revenue B-9, L. 6	=	______%
(This ratio reflects the percentage of interest expense to gross farm income.)			
Net Farm Income From Operations Ratio =	($__________________________ ÷ $________________ (Net Farm Income from Operations ÷ Gross Farm Revenue B-9, L. 11 B-9, L 6	=	______%
(This ratio reflects the percentage of net farm income generated from operations to gross farm income.)			

[1] Interest expense = (line 12 + line 13 on B-5b) + (line 28 + line 32 + line 36 + line 40 on B-10b).
[2] Unpaid Labor and Management may be the value the operator could earn in alternative employment or the amount of withdrawals for family living expenses as a proxy.
[3] Average total assets = (beginning total Farm Asset value + ending total Farm Asset value) ÷ 2.
[4] Average total farm equity = (beginning total Farm Equity + ending total Farm Equity) ÷ 2.

EXAMPLE: COST OF GOODS SOLD WORKSHEET

COST OF GOODS SOLD: *Calves*

	PURCHASES					SALES			DEATH LOSS			BALANCE			NOTES
	Head	Amount		$/Head		Head	Amount		Head	Amount		Head	Amount		NOTES
Beginning Bal.												87	37,845	00	Ave. Cost = 435.00
January	61	28,477	52	466	84	42	18,270	00				106	48,052	52	
February	35	16,275	00	465	00				1	465	00	140	63,862	52	
March									1	435	00	139	63,427	52	Killed by lightning
April												139	63,427	52	
May						44	19,140	00				95	44,287	52	
June												95	44,287	52	
July												95	44,287	52	
August												95	44,287	52	
September						95	44,287	52				-0-	- 0	-	
October												-0-	- 0	-	
November	52	25,402	00	488	50							52	25,402	00	
December									2	977	00	50	24,425	00	
Totals	148	70,154	52			181	81,697	52	4	1,877	00				
Cost of Goods Sold (Sales Amount + Death Amount)							83,574	52							

Year

1. Jan ________ Carried forward 87 head of steers purchased the previous Oct. for $37,845. ($37,845 ÷ = $435.00 average cost/head)
   ________ Sold 42 heads of the Oct. purchased calves during January.
   ________ Purchased 61 heads of steers for $28,477.52 during January. ($28,477.52 ÷ 61 = $466.84)
2. Feb ________ Purchased 35 heads of steers for $465 per head. One of these calves died during the month.
3. Mar. ________ One of the calves from the Oct. group was killed by lightning. (Remember they cost $435/hd.)
4. May ________ Sold the remaining 44 heads of Oct. purchased calves during May. (($435 X 44 = $19,140)
5. Sep ________ Sold the 95 heads of Jan. – Feb. purchased calves during September. (Remember 1 hd. Purchased Feb. also died in Feb.)
6. Nov ________ Purchased 52 heads of steers for $25,402 during November. ($25,402 ÷ 52 + $488.50)
7. Dec ________ Two of the calves purchased this November died during December. ($488.50 X 2 = $977.00)

NOTE: The cost of any items purchased for resale must be inventoried (not considered an operational expense) at their purchase price. The cost of items purchased for resale are used in calculating the "cost of goods sold". The deduction of the cost of these items is allowed in the tax year the items are disposed of – not in the year acquired.

COST OF GOODS SOLD WORKSHEET

COST OF GOODS SOLD: ______________________

	PURCHASES					SALES			DEATH LOSS			BALANCE		
	Head	Amount		$/Head		Head	Amount		Head	Amount		Head	Amount	
Beginning Bal.														
January														
February														
March														
April														
May														
June														
July														
August														
September														
October														
November														
December														
Totals														
Cost of Goods Sold (Sales Amount + Death Amount)														

NOTES

COST OF GOODS SOLD: ______________________

	PURCHASES					SALES			DEATH LOSS			BALANCE		
	Head	Amount		$/Head		Head	Amount		Head	Amount		Head	Amount	
Beginning Bal.														
January														
February														
March														
April														
May														
June														
July														
August														
September														
October														
November														
December														
Totals														
Cost of Goods Sold (Sales Amount + Death Amount)														

NOTES

INCOME TAX ESTIMATE WORKSHEET

YEAR ________

		Location Or Footnote	Amounts To Date Jan. ________	Estimated Amount Rest of Year	Estimated Year's Total	Amounts To Date Jan.________	Estimated Amount Rest of Year	Estimated Year's Total	Actual Year End Total	
1	Farm Operating Receipts	A-6a, L. A								1
2	Less: Cost of Resale Items Sold	B-11								2
3	Less: Farm Operating Expenses	B-16a, L. C								3
4	Less: Farm Depreciation Deduction	B-9, L. 8								4
5	Net Farm Profit Or (Loss)									5
6	Plus: Non-Farm Self Employment Income									6
7	Total Self Employment Income									7
8	Plus: Capital Gains (Losses)	B-8								8
9	Plus: Other Taxable Income									9
10	Total Income									10
11	Less: Adjustments to Income									11
12	Adjusted Gross Income									12
13	Less: Personal Exemptions									13
14	Less: Standard or Itemized Deductions									14
15	Taxable Income									15
16	Federal Income Tax or Alternative Minimum Tax (whichever is less)									16
17	Less: Tax Credits									17
18	Plus: Self Employment Tax									18
19	Plus: Other Federal Tax									19
20	Total Federal Income tax									20
21	Oklahoma Income Tax									21

Additional information relative to calculating federal taxable income can be found in the following IRS publications. These publications are free and can be obtained by calling 1-800-829-3676 or by ordering online at http://www.irs.gov/formspubs/index.html .

Publication 17 – Your Federal Income Tax
Publication 225 – Farmer's Tax Guide
Publication 324 – Tax Guide for Small Business

ENTERPRISE ANALYSIS

Enterprise analysis is a management tool utilized to evaluate two or more systems of production as opposed to whole-farm analysis. Enterprise selection is one of the most basic and important management functions a farmer or rancher must perform. Enterprise analysis allows a manager to monitor the financial contribution of major enterprises to the overall business and family goals and objectives. Enterprise analysis is historical while enterprise budgeting is prospective in nature.

Although enterprise analysis is time consuming and less than an exact science, consistent analysis of major enterprises will enable management to make educated production decisions and maximize the financial potential of the business unit.

The enterprise page is completed by transferring enterprise receipts and expenses from each month's records. In general, the allocation of direct costs between enterprises is not difficult. However, the allocation of shared and indirect costs require more complex calculations. Further, these allocations are approximations and different methods of allocation may be appropriate for different expenditures and costs. Consistency in the methods of allocation will enhance the comparison of current enterprise analysis and that of year-to-year analysis of the same enterprise.

No one method of allocating indirect costs is best. Some of the more commonly used methods to allocate these costs are based on the enterprises share of 1) gross income, 2) total direct costs, and 3) total average.

The goal of enterprise analysis is to more accurately reflect the financial contribution of the enterprise. The allocation methods should be chosen which produces the least variability over time and can be computed with the least difficulty.

NOTES

YEAR:________ ____________________**ENTERPRISE**

LINE		JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC		LINE
	RECEIPTS:																									
R1																										1
R2																										2
A	TOTAL RECEIPTS																									
	EXPENSES:																									
1	Lvst Purch for Resale																									3
2	Car & Truck Expenses																									4
3	Chemicals																									5
4	Conservation																									6
5	Custom Hire																									7
6	Employee Benefits																									8
7	Feed																									9
8	Fertilizer & Lime																									10
9	Freight & Trucking																									11
10	Gas, Fuel & Oil																									12
11	Insurance: Farm																									13
12	Interest: Farm Mortgage																									14
13	Interest: Farm (Other)																									15
14	Labor Hired																									16
15	Pension & Profit-sharing																									17
16	Rent or Lease																									18
17	Repairs & Maintenance																									19
18	Seeds & Plant																									20
19	Storage & Warehousing																									21
20	Supplies																									22
21	Taxes: Farm Property																									23
22	Utilities																									24
23	Vet, Breeding & Med																									25
24	Other Expenses: Fees, Dues, Misc.																									26
B	TOTAL CASH EXPENSES																									B
	NON-CASH EXPENSES:																									
27	Depreciation																									27
28																										28
C	TOTAL EXPENSES																									C
D	NET INCOME (A - C)																									D

A=Sum lines R1 and R2; B=Sum lines 1 through 24; C=Line B + lines 27 and 28; D=Line A - line C

YEAR: ________

LINE		YEAR END TOTAL		% OF WHOLE FARM		PER UNIT OF PRODUCT	
	RECEIPTS:						
R1							
2R							
A	TOTAL RECEIPTS						
	EXPENSES:						
1	Lvst Purch for Resale						
2	Car & Truck Expenses						
3	Chemicals						
4	Conservation						
5	Custom Hire						
6	Employee Benefits						
7	Feed						
8	Fertilizer & Lime						
9	Freight & Trucking						
10	Gas, Fuel & Oil						
11	Insurance: Farm						
12	Interest: Farm Mortgage						
13	Interest: Farm (Other)						
14	Labor Hired						
15	Pension & Profit-sharing						
16	Rent or Lease						
17	Repairs & Maintenance						
18	Seeds & Plants						
19	Storage & Warehousing						
20	Supplies						
21	Taxes: Farm Property						
22	Utilities						
23	Vet, Breeding & Med						
24	Other Expense: Fees, Dues, Misc.						
B	TOTAL CASH EXPENSES						
	NON-CASH EXPENSES:						
27	Depreciation						
28							
C	TOTAL EXPENSES						
D	NET INCOME (A-C)						

A=Sum lines R1 and R2; B=Sum lines 1 through 24; C=Line B + lines 27 and 28; D=Line A - line C

________________________ ENTERPRISE

				LINE
	RECEIPTS, ENDING INVENTORY, AND RECEIVABLES:			
1	Enterprise Receipts			1
2	Ending Enterprise Inventory (include cash investment in growing crops)			2
3	Ending Enterprise Accounts Receivable			3
4	Value of Raised Livestock Added to the Breeding Herd During Year			4
5	Value of Enterprise Products Consumed			5
6	Gain (Loss) From Sale of Culled Breeding Stock			6
T1	Total (sum lines 1 thru 6)			T1
	:			
	PURCHASES, BEGINNING INVENTORY, AND RECEIVABLES:			
7	Beginning Enterprise Inventory			7
8	Beginning Enterprise Accounts Receivable			8
9	Enterprise "Purchases for Resale"			9
T2	Total (sum lines 7 thru 9)			T2
GI	GROSS INCOME FROM THE ENTERPRISE (line T1 minus line T2)			GI
	EXPENSES AND PAYABLES:			
10	Total Enterprise Expenses			10
11	Ending Accounts Payable and Accrued Interest			11
12	Beginning Accounts Payable and Accrued Interest			12
T3	Total (lines 10 plus 11 minus 12)			T3
NI	NET INCOME FROM ENTERPRISE (line GI minus line T3)			