

Finance

- Balance Sheet
- Trading, profit and loss account
- Cash Flow



Balance Sheets

The balance sheet

- A summary of the capital in a business at one moment in time
- Showing assets what is owned
- Showing liabilities what is owed
- Will indicate the amount of money the owner(s) have in the business (Net Worth)
- Usually drawn up at end of financial year

Assets

- Tangible, ie: with a cash value.
Machinery, buildings etc.
- Intangible Assets
- Money owed to the business or the
DEBTORS are also included as an asset.

Fixed Assets

- These are assets that a business needs in place if it is to keep operating.
- They allow the processes of the business to be carried out; although don't directly become the final product/service.
- Have a life span measured in years Eg: Land, Buildings, Machinery and Vehicles.

Current Assets

- These are assets that are in the process of being turned back into saleable crops
- They form the basis for production.
- Could be cashed
- Usually used or sold within a year.

Eg:

Seed, fertiliser

Liquid Assets

Assets that can be converted into cash immediately,

Eg:

- Cash in the bank,
- Products in store
- Debtors

Liabilities

Medium & Long term Liabilities

- Liabilities repayable over longer periods of time.
- Used to purchase fixed assets repaid on a set schedule.
- Eg:
Mortgages and Long Term Loans. Bank Loans, Hire Purchase and leasing

Current Liabilities

These are claims made against the business in the short-term
i.e. less than one year.

Eg:

Overdraft and Invoices not yet paid. Creditors

The balance sheet

The balance sheet is used to calculate the **Equity** or **Net Worth** of the business.

What would be left, if the total assets of the business were realised and all the liabilities paid off in full.

i.e what the owner would get if he wound up the business.

FARMBOOKS DEMO FARM
 RURAL ROUTE
 PO BOX 1921
 LAWRENCE, KS 66044-1921

FarmBooks Demo Farm
Balance Sheet
Beginning Operating Inventory
January 01, 2009

<i>Assets</i>	<i>Liabilities</i>																																																																																				
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Current Loans / Current Assets	1.02
Interm Loans / Interm Assets	0.02
C & I Loans / C & I Assets	0.39
Long-Term Loan / Long-Term Assets	0.40
Total Loans / Total Assets	0.39
Total Loans / Net Worth	0.65

Everything stated in the balance sheet and all supporting schedules are correct to the best of my knowledge.

 Signature

 Date

	A	B	C	D	E	F
1		[Company Name]		Balance Sheet		
2				Date:	9/29/2008	
3						
4		Assets		2008	2007	
5		Current Assets				
6		Cash		11,874		
7		Accounts receivable				
8		Inventory				
9		Prepaid expenses				
10		Short-term investments				
11		<i>Total current assets</i>		\$ 11,874	\$	-
12		Fixed (Long-Term) Assets				
13		Long-term investments		1,208		
14		Property, plant, and equipment		15,340		
15		(Less accumulated depreciation)		(2,200)		
16		Intangible assets				
17		<i>Total fixed assets</i>		\$ 14,348	\$	-
18		Other Assets				
19		Deferred income tax				
20		Other				
21		<i>Total Other Assets</i>		\$ -	\$	-
22						
23		Total Assets		\$ 26,222	\$	-
24						
25		Liabilities and Owner's Equity				
26		Current Liabilities				
27		Accounts payable		8,060		
28		Short-term loans				
29		Income taxes payable		3,145		
30		Accrued salaries and wages				
31		Unearned revenue				
32		Current portion of long-term debt				
33		<i>Total current liabilities</i>		\$ 11,205	\$	-
34		Long-Term Liabilities				
35		Long-term debt		3,450		
36		Deferred income tax				
37		Other				
38		<i>Total long-term liabilities</i>		\$ 3,450	\$	-
39		Owner's Equity				
40		Owner's investment		7,178		
41		Retained earnings		4,389		
42		Other				
43		<i>Total owner's equity</i>		\$ 11,567	\$	-
44						
45		Total Liabilities and Owner's Equity		\$ 26,222	\$	-
46						

Trading Profit and Loss Accounts

What is it ?

- A summary of business transactions for a given period - normally 12 months
- Deducts total expenditure from total income
- Shows on the "**bottom line**" whether the farm made a profit or loss

Who is it produced for?

- Owners, shareholders or potential investors to show how the business is performing.
- HM Revenue & Customs to work out tax bill

Profit Margin

$$\text{Profit Margin} = \frac{\text{Operating Profit}}{\text{Sales}} \times 100$$

The profit margin is the operating profit per £1 of turnover a farm has earned after taking account of direct costs and overhead costs

Interest, tax, dividends, private drawings will then be deducted from the operating profit.

Primary Ratio

$$\begin{aligned} &\text{Return On Capital Employed} \\ &= \frac{\text{Operating Profit} \times 100}{\text{Total Assets}} \end{aligned}$$

The Return on Capital Employed ratio (ROCE) is profit earned from the investments that individual and/or the shareholders have made in the business.

It can be compared to other businesses and also interest rates, to measure efficiency

Cash Flow Forecasts

- Part of business planning.
- Planning when costs will arise when revenue will come in.

Based on

- Market research
- Previous years
- Forecasts/estimates

Receipts

This will be an estimate of the predicted sales revenue for each month.

Payments

This section will detail the payments that the firm expects to have to make during the year.

Net Cash Flow

This will show the difference between the total payments and the receipts

Opening Balance

This shows the money that a firm has carried over from a previous month

Closing Balance: This is the difference between the net cash flow figure and the opening balance.

Cashflow - Detailed - Actual

Year Start: 1 April

	Total	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11
Sales													
Crops													
Wheat	42170	6895	2100	0	0	0	9600	0	0	9775	0	0	13800
Barley	27824	1097	2945	0	0	0	12000	0	10983	0	0	0	0
Straw	1341	515	140	45	0	25	125	280	0	0	0	210	0
Hay	1337	164	80	50	0	0	0	14	0	405	625	0	0
Crops:	72672	9470	5265	95	0	25	21726	294	10983	10180	625	210	13800
Woodland Inco													
Timber	4235	725	309	325	0	0	1802	0	94	55	651	453	0
Livestock Sales													
Milk Sales	207261	0	18579	16589	17527	23944	24008	18403	20274	18945	14721	20978	16795
Calves	4992	0	0	555	882	720	2325	400	0	0	0	0	0
Store/Fatstock	28900	0	0	7200	7800	3000	8000	0	0	0	0	4900	0
Cows/Dolls	5405	250	2345	3075	0	795	0	0	0	0	0	0	0
Dairy Youngstock	5745	0	0	0	0	0	5745	0	0	0	0	0	0
Livestock Sales	253363	250	19024	27629	26509	26458	36076	18603	20274	18946	14721	25978	16795
Transfers Out													
Forage Trans.	0	0	0	0	0	0	0	0	0	0	0	0	0
Heifer Transfer	0	0	0	0	0	0	0	0	0	0	0	0	0
Calf Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers Out:	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent Income													
Residential Rent	36329	3143	1070	3710	3100	1070	2260	5535	1875	1540	7260	4900	1875
Farm Rents	7250	50	1950	0	1660	1660	0	0	0	0	0	1850	0
Commercial Ren	50659	1260	2225	3419	1979	3779	4504	3729	4329	2804	11000	5550	5500
Sundry Rents	1685	0	0	262	565	50	55	205	0	0	0	555	0
Service Charges	145	0	48	0	0	0	48	0	0	50	0	0	0
Rent Income:	96088	4443	5193	7390	7295	6749	6858	10470	6204	4394	18260	12356	8475
Other Income													

EXAMPLE: PROJECTED CASH FLOW FOR TYPICAL DAIRY BUSINESS

Mr D Airy milks 100 Holstein Friesians plus followers on 250 acres of rented land on an Agricultural Holdings Act tenancy at £60/acre. He grows 25 acres of maize, the rest in grass. He is sole employee plus one relief milker. He has a £65,000 overdraft (limit £75,000) plus a £25,000 hire purchase commitment.

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Total
CASH IN (Milk plus other income)	16,700	16,200	16,200	16,200	16,200	1,500	1,400	1,400	12,000	12,000	20,000	16,000	184,500
CASH OUT													
Seed	-	-	-	-	-	-	1,100	-	-	-	-	-	1,100
Fertiliser	-	-	-	-	-	32,300	-	-	-	-	-	-	32,300
Spray	580	580											
Conc + Bulk feeds	5,550	5,550	5,550	5,550	4,800	2,533	2,533	2,533	2,533	2,533	2,535	4,800	47,000
Vet, med & AI	625	625	625	1,125	1,625	1,125	1,125	625	625	625	625	625	10,000
Livestock sundries	767	767	767	767	767	767	767	767	767	767	767	767	9,204
Bedding	1,200	1,400	1,400	1,200	1,200								
Labour	896	896	896	896	896	896	896	896	896	896	896	896	10,750
Power	903	1,903	903	903	1,903	2,003	3,103	2,513	903	2,003	1,403	4,273	22,720
Property maintenance	212	212	212	212	212	212	212	212	212	212	212	212	2,540
Misc	740	740	1,295	740	740	1,295	740	740	1,295	740	740	1,295	11,100
Rent & Finance	408	393	386	391	2,794	1,911	562	567	553	543	536	2,899	21,943
Capital costs	2,292	2,292	2,292	2,292	2,292	2,292	2,292	2,292	2,292	2,292	2,292	2,292	30,500
TOTAL CASH OUT	13,593	14,777	17,325	14,075	22,228	45,333	13,910	11,144	10,075	10,610	10,005	23,058	206,137
Net cash flow	+3,108	+1,423	-1,125	+2,125	-6,028	-30,333	+90	+2,856	+1,925	+1,390	+9,995	-7,058	
OPENING BANK BALANCE	-65,000	-61,893	-60,469	-61,594	-59,470	-65,498	-95,831	-95,741	-92,885	-90,960	-89,570	-79,575	
CLOSING BANK BALANCE	-61,893	-60,469	-61,594	-59,470	-65,498	-95,831	-95,741	-92,885	-90,960	-89,750	-79,575	-86,633	

Source: Savills