

INSTRUCTIONS FOR HIRED LABOR, INDEPENDENT CONTRACTORS, AND CREDIT SOURCES

HIRED LABOR RECORD/INDEPENDENT CONTRACTORS - FORMS 21 and 22

1. Space is provided to keep the necessary records for Social Security, etc., for six employees and six contractors.
2. The figure in the column "Net Paid" should be the same as was entered on Form 8, column 45.

INTERMEDIATE AND LONG-TERM MULTIPAYMENT NOTE AND MORTGAGE RECORD - FORM 23

1. This form was included to record when different notes are due and other details. There is space for three different loans. This form is for intermediate (machinery and livestock) and long-term loans (real estate).
2. The spaces for each loan should include information about the original loan amount, etc., and should then be completed as each repayment is made.
3. The entry in the column headed "Interest" should be the same as the entry on Form 8, column 43 or 44. The "Principal" entry should be the same as the entry on Form 10, column 64.

CREDIT LINES AND SHORT-TERM NOTES - FORM 24

1. This form can be used for credit lines and short-term loans - usually for operating funds that vary up and down.
2. The spaces for each loan should include information about the original loan amount, etc., and should then be completed as each repayment is made.
3. The entry in the column headed "Interest" should be the same as the entry on Form 8, column 43 or 44. The "Principal" entry should be the same as the entry on Form 10, column 64.

INSTRUCTIONS FOR FINANCIAL STATEMENTS, CASH FLOW, AND PROFIT OR LOSS STATEMENT

FINANCIAL STATEMENTS - FORMS 25 AND 26

1. A financial statement relates the financial picture on a selected date and time. Normally financial statements will be completed the first day of the year using the same figures from inventory, depreciation schedules, etc.
2. An increase in net worth is one of the best measures of financial progress. A financial statement or balance sheet is also frequently required by creditors when applying for a loan.
3. Contingent tax liability is the income tax bill that will come due if all farm property is liquidated.
4. Some measure of desirable ratios in a financial statement can be calculated at the bottom of the form. These ratios are useful for comparison purposes between businesses or within a business over time.

CASH FLOW - FORMS 27 AND 28

1. There are two "Cash Flow" forms: Form 27 - "Farm Business Cash Flow" and Form 28 - "Non-Farm and Personal Cash Flow." The "Farm Business Cash Flow" can be used as either a summary or a planning form.
2. There are two kinds of cash flow estimates - whole farm and enterprise. Whole farm includes the total cash available and is the most important. Enterprise cash flow will be of value when considering the addition of a major enterprise such as a hog finishing floor. It would give an indication if this additional enterprise would be able to serve the repayment schedule, start-up costs, etc. The enterprise cash flow should be included in a total farm cash flow projection.
3. A cash flow plan can be one of the most valuable financial tools used by farmers. Some of the advantages of using it are:
 - a. Lets one know if, when, and how much credit will be needed.
 - b. Assists one in planning or matching repayment schedules to available cash.
 - c. Lets one arrange for credit well in advance.
 - d. Helps one "test" ideas on paper.

e. Often results in lower interest rates and costs - better credit services.

f. Helps in tax planning.

g. Many farmers believe it makes them think ahead, helps in paying debts faster, and reduces impulse buying and selling.

4. To use the "Cash Flow" forms as a summary for the year:

a. Record income and expenses on correct lines. (Line numbers correspond to column headings on Receipts and Expenditures Forms.)

b. Total lines as directed on Form 27 and Form 28.

c. Record the cash balance on farm account plus family account on line L at start of the year.

d. Be sure to transfer information from Form 28 "Non-Farm and Personal Cash Flow" to Form 27 lines D and I to obtain a total cash flow picture.

e. Record the "Cash Balance End of Month" (line L).

1) For Jan., add the beginning bank balance to line K of Jan.

2) For Feb. through Dec., add the preceding month line L to the current month line K. For example, for Feb. line L add Jan. line L to Feb. line K.

3) For the line L total, add the total of line K to the beginning bank balance.

PROFIT OR LOSS STATEMENT - FORM 29

A Profit or Loss Statement should be completed at the end of each year. This statement is used to calculate how much an operation earned. It shows the cash balance plus or minus inventory changes and can be used to compare income producing ability over a period of years. The right side of the form is an analysis of the business for the year, and if compared with state averages or other standards, it may indicate areas of the business which could be adjusted to increase income.

		20__		20__	20__	20__			20__		20__	20__	20__
		Start	End	End	End	End			Start	End	End	End	End
FARM ASSETS							NON-FARM ASSETS						
1.	Cash in Farm Account						25.	Family Bank Balance					
2.	Accounts Receivable						26.	Savings Account					
3.	Non-Breeding Livestock (Form 17)						27.	Stocks and Bonds					
4.							28.	IRA's					
5.							29.	Life Insurance (cash value)					
6.							30.	Household Goods					
7.	Grain and Feed (Form 18, line A + B + C)						31.	Non-Farm Real Estate					
8.	Seed, Fertilizer, and Supplies (Form 18, line D)						32.	Family Share Auto					
A.	TOTAL CURRENT ASSETS (lines 1 thru 8)						33.	Boat, Camper, Guns, etc.					
9.	Machinery and Equipment (Form 13 or 14)						34.	PIK Certificates					
10.	Breeding Livestock (Form 15 or 16)						35.						
11.							36.	Other Investments or Assets					
12.							K.	TOTAL NON-FARM ASSETS (lines 25 thru 36)					
13.							NON-FARM LIABILITIES						
B.	TOTAL INTERMEDIATE ASSETS (lines 9 thru 13)						37.	Charge Accounts:					
14.	Farm Land (Form 20)						38.						
15.	Farm Buildings and Improvements (Form 20)						39.						
C.	TOTAL LONG-TERM ASSETS (lines 14 + 15)						40.	Notes:					
D.	TOTAL FARM ASSETS (lines A + B + C)						41.						
FARM LIABILITIES							42.						
16.	Notes and Accounts Payable (Form 24)						43.	Mortgages:					
17.	Annual Payments on Intermediate and Long-Term Loans						44.						
18.	Accrued Interest and Taxes						L.	TOTAL NON-FARM LIABILITIES (lines 37 thru 44)					
19.							M.	NON-FARM NET WORTH (line K - line L)					
E.	TOTAL CURRENT LIABILITIES (lines 16 thru 19)						N.	CHANGE IN NON-FARM NET WORTH					
20.	Notes: Machinery and Equipment (Form 23)						O.	TOTAL NET WORTH (line I + line M)					
21.	Notes: Breeding Livestock (Form 23)						P.	CHANGE IN TOTAL NET WORTH					
22.							Q.	CONTINGENT TAX LIABILITIES					
F.	TOTAL INTERMED. LIABILITIES (lines 20 + 21 + 22)						FARM BUSINESS FINANCIAL RATIOS						
23.	Farm Real Estate Loans (Form 23)						R.	Liquidity - $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{line A divided by line E}$					
24.							S.	Debt : Asset - $\frac{\text{Total Liabilities}}{\text{Total Assets}} = \text{line H divided by line D}$					
G.	TOTAL LONG-TERM LIABILITIES (lines 23 + 24)												
H.	TOTAL FARM LIABILITIES (lines E + F + G)												
I.	FARM NET WORTH (line D - line H)												
J.	CHANGE IN FARM NET WORTH												

		20__		20__		20__		20__		20__		20__	
		Start	End	End	End	End		Start	End	End	End	End	End
FARM ASSETS							NON-FARM ASSETS						
1.	Cash in Farm Account						25.	Family Bank Balance					
2.	Accounts Receivable						26.	Savings Account					
3.	Non-Breeding Livestock (Form 17)						27.	Stocks and Bonds					
4.							28.	IRA's					
5.							29.	Life Insurance (cash value)					
6.							30.	Household Goods					
7.	Grain and Feed (Form 18, lines A + B + C)						31.	Non-Farm Real Estate					
8.	Seed, Fertilizer, and Supplies (Form 18, line D)						32.	Family Share Auto					
A.	TOTAL CURRENT ASSETS (lines 1 thru 8)						33.	Boat, Camper, Guns, etc.					
9.	Machinery and Equipment (Form 14)						34.	PIK Certificates					
10.	Breeding Livestock (Form 17)						35.						
11.							36.	Other Investments or Assets					
12.							K.	TOTAL NON-FARM ASSETS (lines 25 thru 36)					
13.							NON-FARM LIABILITIES						
B.	TOTAL INTERMEDIATE ASSETS (lines 9 thru 13)						37.	Charge Accounts:					
14.	Farm Land (Form 20)						38.						
15.	Farm Buildings and Improvements (Form 20)						39.						
C.	TOTAL LONG-TERM ASSETS (lines 14 + 15)						40.	Notes:					
D.	TOTAL FARM ASSETS (lines A + B + C)						41.						
FARM LIABILITIES							42.						
16.	Notes and Accounts Payable (Form 24)						43.	Mortgages:					
17.	Annual Payments on Intermediate and Long-Term Loans						44.						
18.	Accrued Interest and Taxes						L.	TOTAL NON-FARM LIABILITIES (lines 37 thru 44)					
19.							M.	NON-FARM NET WORTH (line K - line L)					
E.	TOTAL CURRENT LIABILITIES (lines 16 thru 19)						N.	TOTAL NET WORTH (line I + line M)					
20.	Notes: Machinery and Equipment (Form 23)						O.	CHANGE IN TOTAL NET WORTH					
21.	Notes: Breeding Livestock (Form 23)						P.	CONTINGENT TAX LIABILITIES					
22.							FARM BUSINESS FINANCIAL RATIOS						
F.	TOTAL INTERMED. LIABILITIES (lines 20 + 21 + 22)						Q.	Liquidity - $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{line A divided by line E}$					
23.	Farm Real Estate Loans (Form 23)						R.	Debt : Asset - $\frac{\text{Total Liabilities}}{\text{Total Assets}} = \text{line H divided by line D}$					
24.													
G.	TOTAL LONG-TERM LIABILITIES (lines 23 + 24)												
H.	TOTAL FARM LIABILITIES (lines E + F + G)												
I.	FARM NET WORTH (line D - line H)												
J.	CHANGE IN FARM NET WORTH												

36.															36.
37.															37.
38.															38.
39.	Fertilizer and Lime														39.
40.	Freight and Trucking														40.
41.	Gasoline, Fuel, and Oil														41.
42.	Insurance														42.
43.	Interest: Mortgage														43.
44.	Interest: Other														44.
45.	Labor Hired														45.
46.	Machine Hire														46.
47.	Cash Rent														47.
48.	Repairs: Machine														48.
49.	Repairs: Building and Fences														49.
50.	Seeds and Plants														50.
51.	Storage														51.
52.	Supplies														52.
53.	Taxes														53.
54.	Utilities - Farm Share														54.
55.	Veterinarian and Medicine														55.
56.	Miscellaneous Farm Expenditures														56.
57.															57.
58.	Non-Breeding Livestock														58.
59.															59.
F.	TOTAL OPERATING EXPENDITURES (lines 32 thru 59)														F.
60.	Breeding Livestock														60.
61.															61.
62.	Machinery, Equipment, and Fence														62.
63.	Land and Buildings														63.
G.	TOTAL CAPITAL EXPENDITURES (lines 60 thru 63)														G.
H.	TOTAL FARM EXPENDITURES (lines F + G)														H.
64.	Principal Paid on Borrowed Funds														64.
I.	NON-FARM EXPENDITURES (Form 28, line B)														I.
J.	TOTAL DOLLARS USED (lines H + 64 + I)														J.
K.	CASH DIFFERENCE FOR MONTH (lines E - J)														K.
L.	CASH BAL. END OF MONTH (last month line L + K)														L.
M.	CREDIT BAL. (last month lines M + 31 - 64)														M.
		JAN.	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL	

