

# FINPACK<sup>®</sup>

Financial planning and analysis software made simple

## Balance Sheet Instructions

The Balance Sheet provides a statement of assets, liabilities and net worth at a given point in time. Most farm balance sheets break both assets and liabilities into three categories: current, intermediate, and long term.

**Assets** include what you own or what is owed to you on the date of the statement. Current Farm Assets are cash and other assets that you expect to receive, convert to cash, or consume in production during one business year. Intermediate Farm Assets are those that support production (rather than go for sale) and have an expected useful life of one to ten years. They include such items as machinery and equipment, breeding livestock, and titled vehicles. Long Term Farm Assets include items of a more permanent nature such as farm land, buildings, land improvements, and co-op shares.

**Liabilities** include all debts owed as of the statement date. Current Farm Liabilities are those due and payable within one business year. These include operating loans, accounts payable and accrued expenses. Intermediate Term Farm Liabilities are loans with an original term of one to ten years. Loans for machinery, equipment, and breeding livestock fall into this class. Long Term Farm Liabilities consist of loans of ten years or more.

**Net Worth** or equity is the difference between your total assets (what you own) and your total liabilities (what you owe).

The values placed on assets should reflect the purpose of the balance sheet. For farm planning and credit applications, assets are generally valued at their fair market value. For business analysis, where the farm manager is attempting to measure the financial progress of the farm business, using a cost basis value (cost + improvements – depreciation) for intermediate and long term assets is most meaningful. Whichever method is used, it is important to be consistent so that comparisons can be made with past statements and future plans.

### Current Farm Assets

**Cash** in farm checking and saving accounts as of the statement date.

**Prepaid Expenses and supplies** should include such items as fertilizer and lime applied, seed, feed & other inputs purchases for next year's production.

**Growing crops** includes seed, fertilizer, fuel, and other expenses already invested in crops.

**Accounts receivable** includes any amounts owed to the business and expected to be collected within a year.

**Crops for sale or feed** should include all crops in farm or commercial storage at the statement date. List the crop name, the quantity, and the total value of each crop. The value should reflect the current market price, unless it is contracted at a different price.

**Crops Under Gov't Loan** are crops that secure a government CCC loan. Include the total market value of CCC loan crops.

**Livestock for sale** should include all market livestock being held for the sole purpose of eventual sale. Do not include breeding livestock, those to be culled from the breeding herd, or breeding herd replacements. List the livestock type, the number of head, and the value of each livestock type. The value should reflect the market value of the livestock at the time of the statement.

### Intermediate Term Farm Assets

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**Breeding Livestock** are livestock held for the purpose of producing offspring or livestock products (milk, etc.) List here the total value of the herd, herd replacements, and herd sire.

**Machinery&Equipment** should be listed on the back of the balance sheet, valued, and the total values listed here under their respective headings. If using cost basis valuation, value machinery at cost minus depreciation taken.

**Other Intermediate Assets**, such as buildings with a short life should also be listed on the blank space provided.

### Long Term Assets

**Farm Land** should be listed, showing the acreage and value of each parcel of land owned.

**Buildings and land Improvements** should be listed on the back of the statement, valued, and the total value listed here. If using cost basis valuation, value buildings and improvements at cost plus improvements minus depreciation taken.

**Other Long Term Assets** includes co-op shares valued as of the date of the statement.

### Nonfarm Assets

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If including non-farm assets, include the value of all non-farm assets that you own. In addition to the items listed, consider the value of nonfarm businesses, and nonfarm property.

### Current Farm Liabilities

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**Accrued Interest** includes all interest that has accrued since last paid on current, intermediate, and long term farm liabilities.

**Accounts payable and other accrued expenses** should be listed with the name of the account holder and the amount owed. Include such items as seed, fertilizer, feed and fuel accounts, past due taxes and rents.

**Current loans** include the current balance on operating loans, feeder livestock loans, and other loans that are due within 12 months.

**Interest Rate:** Enter the current interest rate on the note.

**Principal Balance:** Enter the total outstanding principal balance. Do not include accrued interest since it is included above.

**Accrued Interest** is the amount of interest that has accrued since last paid. The total of this column should be included in Accrued Interest above

**P & I Payment:** This is the total amount of principal and interest to be paid within the next year. For most current debts, simply enter the word "all".

**Month Due** is the month the payment for the current year is due. If multiple payments are scheduled, write "multiple" or "monthly."

**Government Crop Loans** is the total outstanding principal balance on CCC Crop Loans.

**Principal Due Within 12 Months on Term Loans** is the total of the Principal Due column for Intermediate and Long Term loans.

Total current farm liabilities is the sum of *Accrued Interest, Accounts Payable and Other Accrued Expenses Current Loans, Government Crop Loans, and Principal Due within 12 Months on Term Loans.*

### Intermediate Farm Liabilities

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Include here all loans with an original term of one to ten years. This will usually include loans for the purchase of breeding livestock, machinery and equipment, and farm vehicles. Follow the instructions for Current Loans for most entries.

**Final Year** is the year the loan is scheduled to be paid in full.

**Principal Due** is the principal portion of the P & I Payment. Total Principal Due and include in Principal Due Withing 12 Months in Current Farm Liabilities.

**Intermediate Balance** is Principal Balance minus Principal Due.

### Long Term Farm Liabilities

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Include all loans with an original term over 10 years. This will usually include loans for the purchase of long term assets such as land, buildings, and other permanent land improvements.

**Long Term Balance** is Principal Balance minus Principal Due.

### Total Farm Liabilities

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This is the sum of *Total Current Farm Liabilities, Total intermediate Farm Liabilities, and Total Long Term Farm Liabilities.*

### Nonfarm Liabilities

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**Nonfarm Liabilities** include nonfarm accrued interest, accounts payable, and nonfarm loans. Include credit card balances, car loans, school loans, nonfarm business debts, house mortgage etc.

### Net Worth

Total all categories and determine your net worth by subtracting Total Liabilities from Total Assets.

