

# **BARNYARDS & BACKYARDS**

Extension



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# Getting on Track: Better management through cultivating ag records

Getting wrapped up in day-to-day decision-making and losing sight of the financial management side of an operation is often easy for producers.

Remember that proper financial management (starting with recordkeeping) is a key part of any risk management planning.

A firm grasp on your financial situation in these uncertain times can mean the difference between being in control of your credit situation or facing lending restrictions outside your control.

# GETTING ON TRACK COURSES AVAILABLE FROM <u>RIGHTRISK.ORG</u>

The Getting on Track: Better Management Through Ag Records course is part of a three-course series to help producers (especially smaller scale and new/beginning producers) improve their recordkeeping. The online course was developed to be informative and self-paced with numerous resources and examples in a family business setting.

# WHY KEEP RECORDS?

Recordkeeping is imperative to understanding business standing. The course highlights examples of agribusiness failure, due mainly to a failure to grasp current financial status and lack of proper recordkeeping.

Smaller owner/operators often give many reasons for not keeping good records: it is time-consuming, lack of organization, priority of daily tasks, and many others. The benefits outweigh the reasons for not keeping records. The course outlines how sound records can provide a solid financial footing for preparing taxes, applying for credit, farm management, resource planning, and establishing lease agreements.

# BASIC RECORDKEEPING: STEPS TO ACHIEVE IT

The next two sections of the course describe ways to begin the recordkeeping process. First, save all income and expense receipts, including, but not limited to, sales tickets, paid invoices, checking records, and credit statements. These records should be sorted by enterprise or type, depending on the business.

The next step involves maintaining a journal of all income and expenses. The course outlines proper accounting methods for keeping a journal and subsequent monthly ledgers. A profit and loss statement can be created once this data is recorded, either on a monthly or yearly basis.

Step five shifts into individual enterprise analysis. This can help further examine financial data and determine where the profit centers and areas of improvement are within a business. Expenses can then be divided relative to the enterprise mix on a per unit basis to develop an accurate picture of profit or loss across a ranch/farm.

# FINANCIAL RECORDS AND SCHEDULE F

The records course covers how to evaluate financial records. Assessment of these records should be carried out with the information contained in the production and financial records. This section discusses how to build and interpret an income and expense statement, a monthly financial record (cash flow), and an annual financial summary. The course includes an interactive example to help demonstrate

# Why keep records? Here are five ways you might need them

- 1. Taxes—Records provide the documentation needed to deduct production costs.
- 2. Government programs—Records are required for participation.
- 3. Loans and credit—Financial records are required to obtain loans or other forms of credit.
- 4. Leasing agreements—Production and financial records are required to lease or buy additional land.
- 5. Farm management and planning— Records will help you make informed management decisions and plan for the future.

how to interpret these financial statements once they are constructed. Finally, a brief introduction covers how to enter information into the Internal Revenue Service (IRS) form Schedule F of a tax return. This topic is covered in even greater detail in a second RightRisk course: *Taxes for Agricultural Enterprises*.

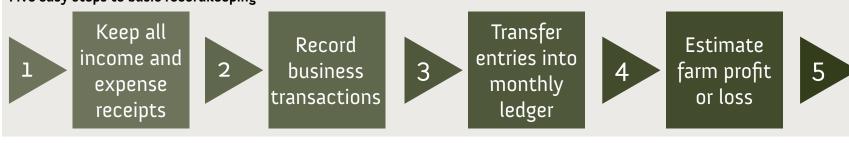
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Conduct

enterprise

analysis

## Five easy steps to basic recordkeeping



# FOR MORE INFORMATION

There is no time like the present to start improving financial recordkeeping. Visit <u>RightRisk.org</u> and select one of the three Getting on Track courses from the Courses menu. The courses are available without accompanying audio until they are converted from Adobe Flash format. The free, self-paced courses are a comprehensive resource for new/beginning and smaller scale agricultural enterprises to improve financial skills and recordkeeping. Visit <u>RightRisk.org</u> for numerous other risk management resources and tools.



## **IMPORTANT DATES & DEADLINES**

- Crop insurance signup, spring crops: March 15
- ARC/PLC: March 15

# OTHER GETTING ON TRACK COURSES AVAILABLE FROM RIGHTRISK.ORG

- Better Management through Basic Financial Statements
- Understanding Financial Performance