

# TEPAP Financial Mgmt I– Pre-Class Concepts Review

---

Sunday 10:00 – 12:00

**Both Year I and Year II Students Welcome!**

1

## Special Topics – Financial Analysis

---

- How transactions flow to build Financial Statements
  - Cash, Accrual Adjusted, vs. True Accrual
  - Cost vs. Market Value Balance Sheet
  - Cashflow Budgeting, Pro Forma Income Projections
  - Trend analysis – Key Ratios, Dupont Model
  - Analyzing multiple entities
  - Unrealized Gain & Deferred taxes
  - Tax vs. economic depreciation
  - Sustainable Growth Rate
  - Net Present Value (NPV) –Time Value of Money
  - ABC – *Activity Based Costing*
- 

5

# Key Financial Reports & Projection Tools

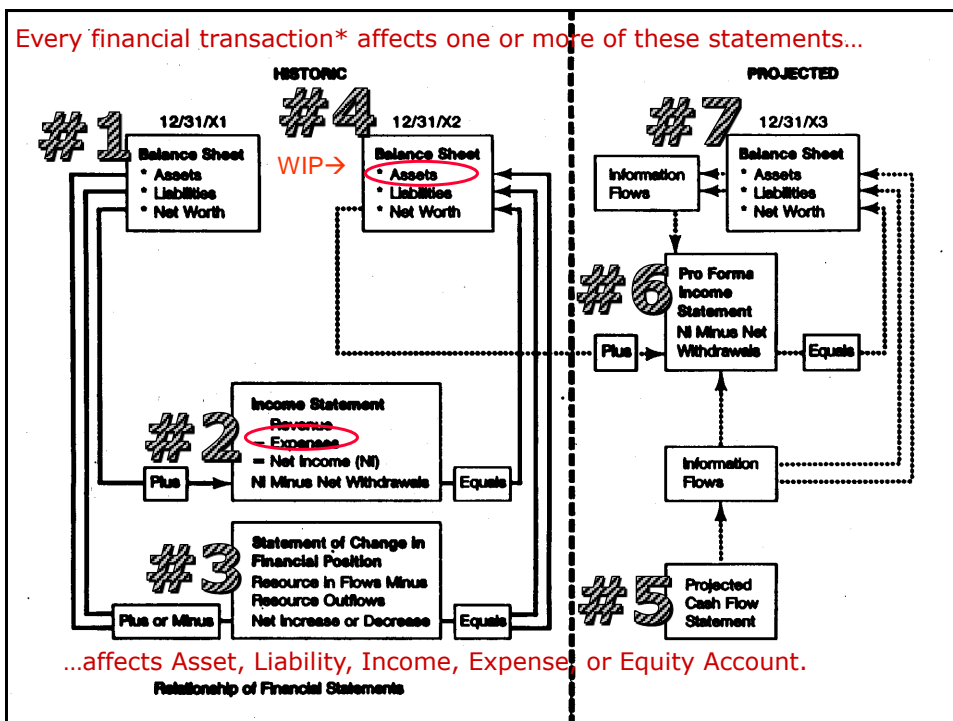
## Entity Level – External Financial Reports

- Balance Sheet
- Income Statement
- Statement of Changes in Fin Position
- Projected Cashflow Statement
- Proforma Income Statement

## Drilling Deeper...

- Enterprise Reports
- Cost/Profit Center Reports
- Activity Based Costing

6



7

## QUIZ–Calculate Cash (Taxable) & Accrual Net Income

---

- Cash income (corn sales)           \$1,250,000
  - Cash expenses                           \$1,000,000
  - Tax depreciation                       \$ 225,000
  - Inventory-Corn
    - End Yr = \$650,000; Beg Yr = \$450,000
  - Accounts Payable
    - End Yr = \$300,000; Beg Yr = \$150,000
  - Cash Investment in Growing Crop
    - End Yr = \$275,000; Beg Yr = \$200,000
  - Book (Economic) depreciation   \$ 75,000
- 

9

## What's the goal of accrual accounting?

---

Match value of income created in a fiscal year with cost to produce that income...regardless of when it is sold, or when expenses are actually paid.

10

**INCOME STATEMENT**

Actual  
 Projected

For 12 Month Period  
Ending \_\_\_\_\_, 19\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

**REVENUE**

|  |           |      |              |
|--|-----------|------|--------------|
| Crops and feed:  |           |      |              |
| cash sales .....   | \$ _____  | (1a) |              |
| inventory change (Sch. 1) .....                              | (±) _____ | (1b) | \$ _____ (1) |
| Livestock & poultry sold:                                    |           |      |              |
| cash sales .....   | \$ _____  | (2a) |              |
| inventory change (Sch. 1) .....                              | (±) _____ | (2b) | _____ (2)    |
| Breeding stock:  |           |      |              |
| cash sales .....   | \$ _____  | (3a) |              |
| inventory change (Sch. 1) .....                              | (±) _____ | (3b) | _____ (3)    |
| Products: livestock and poultry — cash sales .....           |           |      | _____ (4)    |
| Custom work: cash .....                                      |           |      | _____ (5)    |
| Government payments and patronage dividends .....            |           |      | _____ (6)    |
| Income from hedging transactions (Sch. 2) .....              | (±) _____ |      | _____ (7)    |
| Other .....  |           |      | _____ (8)    |
| Adjustment in notes and accounts receivable (Sch. 1) .....   | (±) _____ |      | _____ (9)    |
| Gross revenue (Add lines 1 thru 9) .....                     | \$ _____  |      | _____ (10)   |
| Less livestock & poultry purchases (feeder & breeding) ..... | (-) _____ |      | _____ (11)   |
| Less feed purchased .....                                    | (-) _____ |      | _____ (12)   |
| VALUE OF FARM PRODUCTION .....                               |           |      | \$ _____ (a) |

11

## Mini-Case: Cash to Accrual

Simple farm with one commodity:

|   |                   |
|---|-------------------|
| <input type="checkbox"/> Cash Income              | \$1,250,000       |
| <input type="checkbox"/> Cash Exp (excl deprec.)  | \$1,000,000       |
| <input type="checkbox"/> Tax Deprec. Expense      | <u>\$ 225,000</u> |
| <input type="checkbox"/> Tot Exp—Cash Basis       | \$1,225,000       |
| <input type="checkbox"/> Cash Basis (Tax) Net Inc | <b>\$25,000</b>   |

→ Is this indication of profitability?

14

## Cash to Accrual Net Income

- Cash Sales corn \$1,250,000
    - End Inventory = \$650,000
    - Begin Inventory = \$450,000
  - What is:
    - Accrual Adjustment Value
    - Sales on Accrual Basis\*
      - Accrual Adjustment = +\$200,000
      - Sales-Accrual Basis = \$1,450,000
  - Accts Receiv. changes—same concept
- \*Aka **Gross Farm Revenue** or **Value of Farm Production**

15

## Cash to Accrual Expenses

- Cash Basis Expenses \$1,225,000
  - Begin A/C Payable\* = \$150,000
  - Ending A/C Payable = \$300,000
- \* Fertilizer, seed, feed bills, labor, etc.
  - Calculate Accrual Basis Expenses?
    - Accrual Adjustment +\$150,000
    - Accrual Basis Expenses \$1,375,000
  - "Revised Thinking" re: YTD Profit?
  - Inc \$1,450,000—Exp \$1,375,000=\$75,000

16

## More Curves...

---

### □ Cash Investment in Growing Crop

- End of Year (Ent Yr X2) = \$275,000
- Begin of Year (Ent Yr X1) = \$200,000

Is this expense or income adjmt?

- Expense adjustment
- Current Yr Accrual Adjmt = - \$75,000
- Accr Expenses = \$1,375,000 - \$75,000

- "Revised YTD Profit?"
- Inc \$1,450,000-Exp 1,300,000=\$150,000

17

## More Curves...FINAL ANSWER

---

### Depreciation Expense

- Tax Depreciation \$225,000
- Book (Economic) Deprec \$ 75,000

Expense or income adjmt? → Expense

- Curr Yr Accrual Adjustment -\$150,000
- Accr. Expense = \$1,300,000 - \$150,000

- "Revised YTD Profit?"
- Inc \$1,450,000-Exp \$1,150,000 = \$300,000

FINAL: Cash NI=\$25,000; Accrual=\$300,000 → 8.3%

---

18

## Tax vs. Economic Depreciation

- Farm Financial Standards Council (FFSC) Old Position:  
Tax depreciation for most operations does not present a material distortion of depreciation cost and can be used as proxy for cost-based income analysis
- Current Reality in Tax World: Accelerated write-offs distort depreciation expense
  - Section 179 1<sup>st</sup> Year 100% write-offs
  - Special Depreciation Allowance – new equipment
- FFSC Standards TODAY: If tax depreciation differs significantly from economic cost, income analysis should use “book” instead of “tax” depreciation

19

## Impact on Accrual Net Income – Using Tax vs Book (Economic) Depreciation

- Survey of annual TEPAP participants
  - Approximately 5% of class is doing both tax and book
  - Few thought about impact on accrual net income – most who completed trend sheet used tax depreciation
- % Error in Accrual Net Income

| Year                       | 20X1    | 20X2    | 20X3    | 20X4    | 20X5    |
|----------------------------|---------|---------|---------|---------|---------|
| Operating Expenses (000's) | \$1,988 | \$2,098 | \$2,292 | \$2,657 | \$3,069 |
| Tax less Book Depr adjmt   | \$244   | \$148   | (\$9)   | \$62    | \$339   |
| Depr Adjmt as % Oper Exp   | 12.2%   | 7.1%    | (0.4%)  | 2.3%    | 11.0%   |
| Depr Adjmt as % Net Inc    | 32.7%   | 17.6%   | (0.7%)  | 7.3%    | 85.6%   |

20

20

| Calculating Net Farm Income on an Accrual Basis |                  |                |                   |
|---|------------------|----------------|-------------------|
|   | Cash (Tax) Basis | Book (Accrual) | Net Accrual Adjmt |
| <b>Income (Sales)</b>                           |                  |                |                   |
| Cash Sales - Corn (X1 Yr)                       | \$ 1,250,000     | \$ 1,250,000   |                   |
| + Ending Inventory (X1)                         |                  | \$ 650,000     | \$ 200,000        |
| - Beginning Inventory (X0)                      |                  | \$ (450,000)   |                   |
| Accounts Receivable                             |                  |                |                   |
| + Ending  |                  | \$ -           | \$ -              |
| - Beginning                                     | \$ -             | \$ -           | \$ -              |
| Gross Inc-Accrual Adjusted                      | \$ 1,250,000     | \$ 1,450,000   | \$ 200,000        |
| <b>Expenses</b>                                 |                  |                |                   |
| Cash Expenses                                   | \$ 1,000,000     | \$ 1,000,000   |                   |
| Accounts Payable                                |                  |                |                   |
| + Ending (X1)                                   |                  | \$ 300,000     | \$ 150,000        |
| - Beginning (X0)                                |                  | \$ (150,000)   |                   |
| Cash Investmt Growing Crop                      |                  |                |                   |
| + Beginning (X1)                                |                  | \$ 200,000     | \$ (75,000)       |
| - Ending (X2)                                   |                  | \$ (275,000)   |                   |
| Depreciation Expense                            |                  |                |                   |
| + Tax Basis (accelerated)                       | \$ 225,000       | \$ -           |                   |
| - Book (Economic) Basis                         | \$ -             | \$ 75,000      | \$ (150,000)      |
| <b>Total Expenses</b>                           | \$ 1,225,000     | \$ 1,150,000   | \$ (75,000)       |
| <b>Net Income</b>                               | \$ 25,000        | \$ 300,000     | \$ 275,000        |

See [www.wittmanconsulting.com](http://www.wittmanconsulting.com) for Accrual Worksheet

See [www.ffsc.org](http://www.ffsc.org) for Accrual Net Farm Income Worksheet

21

### Impact of "expensing" vs "WIP"--Investment in Growing Crop

| Month     | Monthly Net Income | Year to Date Net Income | YTD NI as % of Tot Yr NI | Month End Net Worth | % Change from Beg NW |
|-----------|--------------------|-------------------------|--------------------------|---------------------|----------------------|
| Beg of Yr |                    |                         |                          | \$ 376,334          |                      |
| January   | \$ 22,419          | \$ 22,419               | 23.6%                    | \$ 398,753          | 6.0%                 |
| February  | \$ 25,205          | \$ 47,624               | 50.1%                    | \$ 421,959          | 12.1%                |
| March     | \$ (28,781)        | \$ 18,843               | 19.8%                    | \$ 393,177          | 4.5%                 |
| April     | \$ (132,953)       | \$ (114,111)            | -120.1%                  | \$ 211,298          | -43.9%               |
| May       | \$ (14,732)        | \$ (128,842)            | -135.6%                  | \$ 196,566          | -47.8%               |
| June      | \$ (81,326)        | \$ (210,168)            | -221.2%                  | \$ 115,240          | -69.4%               |
| July      | \$ (27,570)        | \$ (237,738)            | -250.2%                  | \$ 87,670           | -76.7%               |
| August    | \$ 112,079         | \$ (125,659)            | -132.3%                  | \$ 199,749          | -46.9%               |
| September | \$ 151,387         | \$ 25,727               | 27.1%                    | \$ 351,136          | -6.7%                |
| October   | \$ 6,135           | \$ 31,862               | 33.5%                    | \$ 357,271          | -5.1%                |
| November  | \$ (230,138)       | \$ (198,276)            | -208.7%                  | \$ 122,133          | -67.5%               |
| December  | \$ 293,283         | \$ 95,007               | 100.0%                   | \$ 474,453          | 26.1%                |

*(Also covered in Managerial Accounting Discussion...)*

22





## Deferred Tax Liability - *MiniCase*

Assumptions: Family Farm Corporation – 900 shares of stock. Considerable ownership held by off-farm relatives.

|           | <u>Market Value</u> (\$/sh) | <u>Cost (Tax Basis)</u> (\$/sh) |
|-----------|-----------------------------|---------------------------------|
| Net Worth | = \$1,540,000 (\$1711)      | \$175,000 (\$194)               |

Deferred Gain= \$1,365,000 @ 42% Tax Rate = \$573,300 Defrd Tx => \$637/share

NW Adj for Def Tax = (1,540,000-573,300) = \$966,700  
/900 shares = \$1,074/share

**What price would you want if you were:**

- Farm operator wanting to buy off-farm stock
- Off-farm cousin (with new boat & house payments)
- IRS appraiser in an estate appraisal

...How do earnings vs market appreciation influence what you are willing to pay?

26

## Deferred Tax Mini Case (cont'd)

Assumptions:

Net Earnings (Cost Basis)  
= \$5.36/sh (ROE= 2.8%)

Market Value Net Worth increase  
= \$43.23/sh

or...\$41.07/share after Def Tax (ROE = 3.0%)

**What price would you pay with 7% ROE Goal?**

**Earnings @ Cost:  $\$5.36 \div .07 = \$77$**

**Using earnings + mkt gains:  $\$41.07 \div .07 = \$587$**

27

## Deferred Tax Elements

- Current Assets that are taxable if sold (commodities, accts receivable, prepaid expenses) **LESS...**
- Current Liabilities that are deductible if paid (accts payable, accrued interest, property taxes)
- Unearned government payments
- Unrealized gain-long term assets (real estate, equipment, securities/investments, cash value life insurance)

28

---

## CASE STUDY

Calculate unrealized gain and deferred tax using ***Dairygold LLC*** 12/31/0C data

---

29

29

## 12/31/0C Data

---

| <u>Current Assets/Liabilities:</u> |               | <u>Taxable Gain</u> |
|------------------------------------|---------------|---------------------|
| Current Assets-taxable             | \$348,000     |                     |
| Current Liabilities-deductible     | <u>45,000</u> | \$303,500           |

| <u>Fixed Assets</u> | <u>Cost</u> | <u>Mkt Value</u> | <u>Taxable Gain</u> |
|---------------------|-------------|------------------|---------------------|
| Breeding Stock      | \$ -0-      | \$1,025,000      | \$1,025,000         |
| Mach & Equip        | 555,000     | 1,275,000        | 720,000             |
| Real Estate         | 2,500,000   | 6,050,000        | 5,295,000           |

---

30

## Case Study-Solution Summary

---

| <u>Deferred Income &amp; Valuation Equity</u> |                  |
|---|------------------|
| Net Taxable Current Assets                    | \$303,500        |
| Breeding Stock Taxable Gain                   | 1,025,000        |
| Mach & Equip Taxable Gain                     | 720,000          |
| Real Estate Taxable Gain                      | <u>3,550,000</u> |
| Total Taxable Gains                           | \$5,295,000      |
| Income Tax Rate                               | <u>35%</u>       |
| Total Deferred Tax                            | \$1,853,250      |

---

31

31

## Year End Financial Summary – With Book Capital & Unreal. Gain

|                  | Year End Book Capital<br>with Cur Yr P/L added | (from MV Bal Sheet)<br>Unreal. Income | Personal B/S Amt<br>MV Net Worth |
|------------------|--|---------------------------------------|----------------------------------|
| <b>Partner A</b> | \$ 711,751                                     | \$722,120                             | \$ 1,433,872                     |
| <b>Partner B</b> | \$ 355,252                                     | \$361,060                             | 716,312                          |
| <b>Partner C</b> | \$ 411,141                                     | \$601,766                             | 1,012,908                        |
| <b>Partner D</b> | \$ 480,625                                     | \$722,120                             | 1,202,745                        |
| <b>Total</b>     | \$ 1,958,771                                   | \$2,407,067                           | \$ 4,365,839                     |

32

## Where is Deferred Tax Recorded?

### Options:

#### 1. Record on the balance sheet as Deferred Liability

**Pros** – more realistic presentation of net worth

**Cons** – bankers don't like this...distorts serviceable debt and financial ratios (*WF case in point!*)

#### 2. Record as footnote to financial statements

**Pros** – recognizes the liability exists; acknowledges that \$ amount is not an exact science (tax laws subject to change)

**Cons** – tends to overstatement recognizable equity

33

# Trend Sheets – Key Ratios

- ❑ What records are you using?
  - Cash basis
  - Accrual Adjusted information
- ❑ How does computation vary if use:
  - Cost
  - Market Value

34

|  |         | Income Statement        |                              |                              |                              |                              |                              |
|--|---------|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Joe P Sample<br>Cust # Example                         |         | Projected Cash<br>Flow  | FYE 2008                     | FYE 2007                     | FYE 2006                     | FYE 2005                     | FYE 2004                     |
| Description  |         |                         |                              |                              |                              |                              |                              |
| Statement Date   | ' 5 Yr. | 01/01/2009 -<br>Average | 01/01/2008 -<br>12/31/2008 * | 01/01/2007 -<br>12/31/2007 * | 01/01/2006 -<br>12/31/2006 * | 01/01/2005 -<br>12/31/2005 * | 01/01/2004 -<br>12/31/2004 * |
| VFP, Ag - Pct.   |         | Adjusted                | Adjusted                     | Adjusted                     | Adjusted                     | No Adj                       | Adjusted                     |
| Crop Cash Sales  |         | 208,382                 | 193,882                      | 237,154                      | 212,010                      | 210,230                      | 190,835                      |
| +/- Change in Inventories                              |         | 12,531                  | 10,648                       | 41,535                       | 14,919                       | 4,001                        | 2,200                        |
| Gross Revenues from Crops                              |         | 220,913                 | 204,530                      | 278,689                      | 226,929                      | 214,231                      | 193,035                      |
| Market Livestock/Poultry Cash Sales                    |         | 195,488                 | 192,548                      | 207,490                      | 174,820                      | 177,540                      | 183,500                      |
| +/- Change in Inventories                              |         | 875                     | 38,100                       | 12,900                       | -17,051                      | -5,174                       | 12,700                       |
| Gross Revenues from Livestock                          |         | 187,163                 | 230,648                      | 220,390                      | 157,769                      | 172,366                      | 183,500                      |
| Livestock Prod. Sales                                  |         | 87,661                  | 90,750                       | 101,250                      | 95,230                       | 82,400                       | 80,300                       |
| +/- Change in Inventories                              |         | 87,661                  | 90,750                       | 101,250                      | 95,230                       | 82,400                       | 80,300                       |
| Gross Revenues from Livestock Prod                     |         | 11,956                  | 12,500                       | 9,400                        | 10,600                       | 12,500                       | 11,870                       |
| Government Program Payments                            |         | 150                     |                              | -6,000                       | -2,350                       | 4,600                        | 3,000                        |
| Raised Breeding Stk Value Change                       |         |                         |                              |                              |                              |                              |                              |
| Gain/Loss from Breeding Stock                          |         | 560                     | -3,500                       | 1,000                        | -900                         | 1,800                        | 500                          |
| Change in Acct. Rec. (+/- 12 mo.)                      |         | 9,657                   | 10,000                       | 8,640                        | 7,875                        | 11,290                       | 9,800                        |
| Other Farm Income                                      |         |                         |                              |                              |                              |                              |                              |
| +/- Accrual Adjustments                                |         | 9,657                   | 10,000                       | 8,640                        | 7,875                        | 11,290                       | 9,800                        |
| Gross Revenues Other Farm Inc                          |         | 9,657                   | 10,000                       | 8,640                        | 7,875                        | 11,290                       | 9,800                        |
| <b>Gross Revenues</b>                                  |         | <b>517,179</b>          | <b>545,628</b>               | <b>614,349</b>               | <b>499,187</b>               | <b>478,365</b>               | <b>509,635</b>               |
| Less - Purchases for Resale                            |         | 35,817                  | 44,500                       | 36,000                       | 34,600                       | 36,405                       | 34,500                       |
| - Cost of Purch. Feed/Grain                            |         | 43,464                  | 43,500                       | 46,170                       | 44,290                       | 43,500                       | 40,300                       |
| <b>Value of Farm Production</b>                        |         | <b>437,349</b>          | <b>457,628</b>               | <b>536,189</b>               | <b>418,909</b>               | <b>418,260</b>               | <b>425,735</b>               |
| Cash Farm Oper. Expenses                               |         | 252,230                 | 266,097                      | 287,762                      | 241,833                      | 245,428                      | 233,169                      |
| +/- Accrual Adjustments                                |         |                         |                              |                              |                              |                              |                              |
| Growing Crops, Prepaids, Supplies,<br>Oth. Cur. Assets |         | -1,290                  | 11,400                       | -7,600                       | -1,400                       | 1,800                        | -300                         |
| Accts Pay, RE Tax, Oth. Cur. Liab.                     |         | 200                     |                              | 600                          | 500                          | 200                          |                              |
| Depreciation Expense                                   |         | 31,948                  | 30,700                       | 28,450                       | 31,600                       | 32,600                       | 35,640                       |
| Total Operating Expenses                               |         | 293,088                 | 307,197                      | 309,842                      | 272,533                      | 280,028                      | 284,469                      |
| Cash Interest Paid                                     |         | 53,034                  | 47,841                       | 47,335                       | 50,100                       | 62,360                       | 55,580                       |
| +/- Change in Accrued Interest                         |         | 4,241                   | -6,593                       | -1,854                       | 25,057                       |                              | 59,795                       |
| Total Interest Expense                                 |         | 57,875                  | 40,348                       | 45,481                       | 75,157                       | 62,360                       | 55,580                       |
| <b>Total Expenses</b>                                  |         | <b>340,963</b>          | <b>346,535</b>               | <b>355,323</b>               | <b>348,890</b>               | <b>332,388</b>               | <b>344,148</b>               |
| <b>Net Farm Income From Oper.</b>                      |         | <b>96,386</b>           | <b>116,493</b>               | <b>174,876</b>               | <b>67,813</b>                | <b>86,894</b>                | <b>53,877</b>                |
| Gain/Loss on Farm Assets                               |         |                         |                              |                              |                              |                              |                              |
| <b>Net Farm Income</b>                                 |         | <b>96,386</b>           | <b>116,493</b>               | <b>174,876</b>               | <b>67,813</b>                | <b>86,894</b>                | <b>53,877</b>                |
| Wages & Other Non-Farm Income                          |         | 19,846                  | 25,000                       | 25,400                       | 19,500                       | 18,230                       | 17,602                       |
| +/- Accrual Adjustments                                |         |                         |                              |                              |                              |                              |                              |
| Wages & Other Non-Farm Inc.                            |         | 19,846                  | 25,000                       | 25,400                       | 19,500                       | 18,230                       | 17,602                       |
| Cash Income Tax Expense                                |         | 6,400                   | 8,500                        | 8,500                        | 6,000                        | 5,500                        | 4,500                        |
| +/- Change in Tax Accruals                             |         | 1,000                   | -7,500                       | 2,500                        | -1,000                       | 500                          | 3,000                        |
| Total Tax Expense                                      |         | 7,400                   | 1,000                        | 11,000                       | 5,000                        | 6,000                        | 7,500                        |
| <b>Net Income</b>                                      |         | <b>109,433</b>          | <b>140,493</b>               | <b>189,276</b>               | <b>82,313</b>                | <b>99,124</b>                | <b>63,979</b>                |
| Less - Owner Withdrawals                               |         | 34,028                  | 40,000                       | 41,250                       | 34,600                       | 31,900                       | 29,640                       |
| +/- Accrual Adjustments                                |         |                         |                              |                              |                              |                              |                              |
| Total Owner Withdrawals                                |         | 34,028                  | 40,000                       | 41,250                       | 34,600                       | 31,900                       | 29,640                       |
| <b>Net Inc. After Owner Withdrawals</b>                |         | <b>75,405</b>           | <b>100,493</b>               | <b>148,026</b>               | <b>47,713</b>                | <b>67,224</b>                | <b>34,339</b>                |
| Plus - Depreciation and Term Int.                      |         | 83,742                  | 71,081                       | 72,845                       | 79,175                       | 84,700                       | 90,940                       |
| Cap Rptc & Term Debt Rptcy Cap                         |         | 159,147                 | 171,674                      | 220,871                      | 126,888                      | 151,924                      | 125,279                      |
| Less - Term Debt Payments                              |         | 96,759                  | 81,319                       | 93,320                       | 88,825                       | 97,354                       | 102,893                      |
| <b>Margin After Debt Servicing</b>                     |         | <b>62,389</b>           | <b>90,436</b>                | <b>135,551</b>               | <b>38,053</b>                | <b>54,570</b>                | <b>21,359</b>                |
| CDRC's   |         | 164%                    | 211%                         | 289%                         | 143%                         | 156%                         | 156%                         |

Note CDRC Analysis

35



## Wittman Marketing Lesson

### Don't be afraid to pay taxes!

---

“Opportunity costs” of deferring tax

- Lost marketing opportunities
  - Storage risk and interest costs
  - Potential for increased tax rates
  - “Frozen capital” – paralyzed for pursuing opportunities
  - Building “bigger & bigger” deferred tax
- 

38

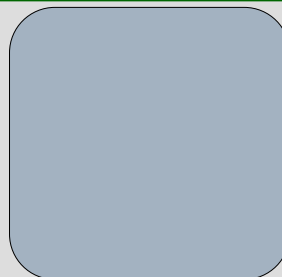
## Sell high vs. sell low?

### What do you have to spend?

---

**Case Farm:** 3,000 ac wheat @80 bu.  
240,000 bus to market; \$4.20 cost prodn

|                  |                 |
|------------------|-----------------|
| Price            | \$7.20          |
| Cost             | <u>4.20</u>     |
| Margin           | \$3.00          |
| Net Income       | \$720,000       |
| Taxes @35%       | <u>-252,000</u> |
| After Tax Profit | \$468,000       |



39



## Sustainable Growth Rate (SGR)

### Definition

Maximum rate of growth that sales (or gross revenue) can increase without depleting financial resources.

Robert Higgins, *Analysis for Financial Management*, 1998

$$\text{SGR} = \frac{\text{Change in Equity}^*}{\text{Beginning-of-Period Equity}}$$

\*Change in Equity = Earnings + Capital Infusion – W/D  
... if no added capital → = Earnings x Retention %

40

## SGR Mini Case – *Dell Computing*

History: 20-yr old whiz kid founds company...by 1993, company losing money and liquidity *FAST!* (\$20mm cash = 0.1% annual sales) ...called out the financial experts to keep from crashing

### Solution:

- Changed focus to earnings & liquidity vs. sales growth
- Instituted formalized planning and budgeting

Result: \$18 Billion Sales by 1998...and still thriving!

*Guess who?*

41

## Digging Deeper

$$\begin{aligned} \text{SGR} &= \frac{\Delta \text{Equity}}{\text{Beginning Equity}} \\ \text{SGR} &= \text{OPM} \times \text{ATR} \times \%R^* \times \text{Assets/Equity} \\ &= \text{ROA} \times \%R \times \text{Assets/Equity} \end{aligned}$$

### Key Concepts:

- *Excessive growth* deteriorates debt/asset ratio, liquidity
- *Inadequate growth* results in unit-cost creep, takeover threats, business stagnation
- Factors that must be improved to allow faster growth:
  - Profit Margin ratio, earnings retention rate, turnover ratio, assets to equity ratio (more financing)
- Growth is affected by stage in business life cycle
  - Start-up → Growth → Maturity → Decline

43

## Uses of Cashflow Budget

- Manage liquidity
  - See where creating & consuming CASH
- Determine borrowing requirements
  - Seasonal operating lines
  - Term debt financing needs
- Plan market timing to maintain working capital
- Foundation for pro forma income statement & ending balance sheet

44

Microsoft Excel - 2001BGLTD.xls

File Edit View Insert Format Tools Data Window Help Adobe PDF

Type a question for help

75% Times New Roman 11

Reply with Changes... Epd Review...

| E10 | A                          | B     | C       | D      | E     | F      | G     | H     | I      | J        | K      | L     | M     | N      | O | P | Q | R |
|-----|----------------------------|-------|---------|--------|-------|--------|-------|-------|--------|----------|--------|-------|-------|--------|---|---|---|---|
|     |                            | Jan   | Feb     | Mar    | April | May    | June  | July  | Aug    | Sept     | Oct    | Nov   | Dec   | Total  |   |   |   |   |
| 1   | CASH INFLOWS               |       |         |        |       |        |       |       |        |          |        |       |       |        |   |   |   |   |
| 2   | BEG CASH BALANCE           | 5,509 | 6,516   | 13,547 | 3,348 | 10,392 | 3,645 | 4,081 | 35,571 | (13,022) | 12,207 | 4,011 | 2,500 | 14,122 |   |   |   |   |
| 3   | CASH INCOME:               |       |         |        |       |        |       |       |        |          |        |       |       |        |   |   |   |   |
| 4   | Cull Cows.....             |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 5   | Yearlings/Feeders:         |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 6   | Calves.....                |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 7   | Oth Livst Product:         |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 8   | Wheat.....                 |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 9   | Barley.....                |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 10  | Peas.....                  |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 11  | Garbanzos.....             |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 12  | Lentils.....               |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 13  | Rape Canola.....           |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 14  | Grass Seed.....            |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 15  | Hay.....                   |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 16  | Govt Payments.....         |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 17  | Storage.....               |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 18  | Coop Pat Ref-Cash & NC:    |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 19  | Trkg Custom Hire.....      |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 20  | Rent-Farm Housing.....     |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 21  | Rent-Crop Pasture.....     |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 22  | Rent-Mach/Equip.....       |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 23  | Insurance Inc.....         |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 24  | Seed Premiums.....         |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 25  | Seed Sales.....            |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 26  | Timber Products.....       |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 27  | Other-Interest.....        |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 28  | Other- Landlord Reimburse  |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 29  | .....                      |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 30  | TOT OPER INCOME:           | 0     | 0.00    | 0.00   | 0.00  | 0.00   | 0.00  | 0.00  | 0.00   | 0.00     | 0.00   | 0.00  | 0.00  | 0      |   |   |   |   |
| 31  | Capital Sales:             |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 32  | Mach/Equipment.....        |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 33  | Breed Livst-Bulls.....     |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 34  | Land/Fixed Assets.....     |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 35  | Marketable Securities..... |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 36  | FCS Sdc Securities Coop/Re |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 37  | Hedging Withdrawals.....   |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 38  | Capital Contributions..... |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 39  | Receipts-A-C Receipts..... |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 40  | Non-farm Wages.....        |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 41  | Other Non-farm Inc.....    |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 42  | .....                      |       |         |        |       |        |       |       |        |          |        |       |       | 0      |   |   |   |   |
| 43  | TOT CASH AVAILABLE         | 5509  | 6515.59 | 13547  | 3348  | 10392  | 3645  | 4081  | 35571  | -13022   | 12207  | 4011  | 2500  | 14,122 |   |   |   |   |

Inputs \cashflow / bal sheet / adjmts / inc stmt / CDRC-Trends / OldWkshHome /

FARM CASH INCOME

Sale of Capital, Non-Farm Income, Capital Contributions

46

Microsoft Excel - 2001BGLTD.xls

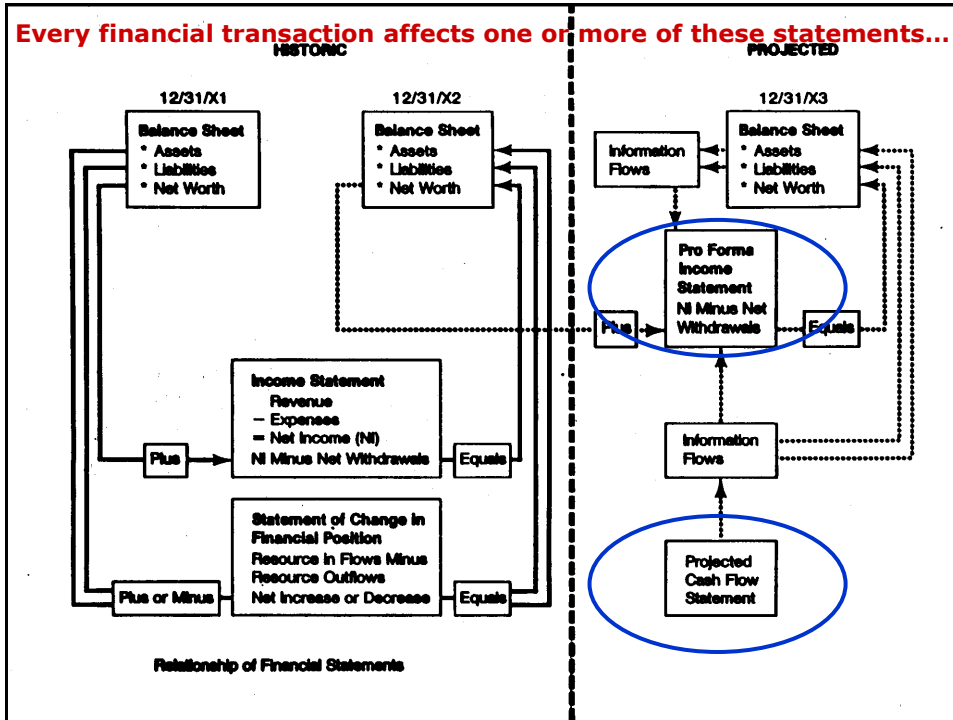
File Edit View Insert Format Tools Data Window Help Adobe PDF

Type a question for help

65% Times New Roman 11

Reply with Changes... Epd Review...

| A44 | A                             | B        | C      | D        | E        | F     | G       | H         | I          | J        | K      | L     | M        | N         | O       | P | Q | R | S | T | U |
|-----|-------------------------------|----------|--------|----------|----------|-------|---------|-----------|------------|----------|--------|-------|----------|-----------|---------|---|---|---|---|---|---|
|     |                               | Jan      | Feb    | Mar      | April    | May   | June    | July      | Aug        | Sept     | Oct    | Nov   | Dec      | Total     |         |   |   |   |   |   |   |
| 46  | --- CASH INFLOWS ---          |          |        |          |          |       |         |           |            |          |        |       |          |           |         |   |   |   |   |   |   |
| 47  | OPERATING EXPENSE             |          |        |          |          |       |         |           |            |          |        |       |          |           |         |   |   |   |   |   |   |
| 48  | Chemicals.....                |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 49  | Employees Benefits.....       |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 50  | Equipment Rent.....           |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 51  | Feed.....                     |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 52  | Fertilizer.....               |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 53  | Fuel/Lubricants.....          |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 54  | Insurance-Crop.....           |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 55  | Insurance-Liabil.....         |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 56  | Labor.....                    |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 57  | Lease/Rent-Land.....          |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 58  | Machinery Hire.....           |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 59  | Miscellaneous Exp.....        |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 60  | Repairs-Bldg/Trk.....         |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 61  | Repairs-Mach/Eq.....          |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 62  | Seed.....                     |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 63  | Storage Expense.....          |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 64  | Supplies.....                 |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 65  | Taxes.....                    |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 66  | Utilities.....                |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 67  | Vet/Medicine.....             |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 68  | TOT OPER EXPENSE              | 0        | 0.00   | 0.00     | 0.00     | 0.00  | 0.00    | 0.00      | 0.00       | 0.00     | 0.00   | 0.00  | 0.00     | 0         |         |   |   |   |   |   |   |
| 69  | GrandFeed Purchd.....         |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 70  | Resale Livst Purchd.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 71  | CAP PUR-Breed Stock.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 72  | Marketable Sdc Securities/FCS |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 73  | Non-Mkt Seed/Coop/Retain      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 74  | Mach/Equip/Vehicl.....        |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 75  | Land/Fixed Assets.....        |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 76  | Hedging Deposits.....         |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 77  | Family Living Draws.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 78  | Income Tax/SEC Soc/Sec.....   |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 79  | Term Prts-Purposal.....       |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 80  | -Interest.....                |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 81  | Capital Withdrawals.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 82  | TOT CASH OUTLAYS              | 50,895   | 7,000  | 5,000    | 50,926   | 5,000 | 12,027  | 0         | 0          | 21,500   | 0      | 4,000 | 75,000   | 220,498   |         |   |   |   |   |   |   |
| 83  | NET CASH AVAILABLE            | (45,486) | (484)  | 8,547    | (47,578) | 4,392 | (8,391) | 4,081     | 35,571     | (34,522) | 12,207 | 11    | (72,500) | (283,366) |         |   |   |   |   |   |   |
| 84  | Inflow from Savings.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 85  | Non-Oper Loans-Curr.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 86  | IT & LT Borrowings.....       |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 87  | Outflows to Savings.....      |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 88  | CASH DEF/OP LN CHG            | (45,486) | (484)  | 8,547    | (47,578) | 4,392 | (8,391) | 4,081     | 35,571     | 145,678  | 12,207 | 11    | (72,500) | (38,156)  |         |   |   |   |   |   |   |
| 89  | Oper Loan Interest.....       |          |        |          |          |       |         |           |            |          |        |       |          | 0         |         |   |   |   |   |   |   |
| 90  | Borrowing-Cap Loan.....       | 52,316   | 14,760 | 0        | 58,216   | 1,980 | 19,222  | 34,895    | 0          | 0        | 0      | 0     | 2,945    | 75,477    | 253,590 |   |   |   |   |   |   |
| 91  | Payment-Cap Loan.....         | 0.00     | 0.00   | 4,817.66 | 0.00     | 0.00  | 0.00    | 45,089.76 | 132,112.13 | 7,942.02 | 0.00   | 0.00  | 0.00     | 393,862   |         |   |   |   |   |   |   |
|     |                               |          |        |          |          |       |         |           |            |          |        |       |          |           |         |   |   |   |   |   |   |



48

## Building a Pro Forma B/S & I/S

- ❑ Start with beginning balance sheet
- ❑ Project monthly (or quarterly) cash in & out
- ❑ Project ending balance sheet items – needed for accrual adjustments
  - Inventories, receivables/payables; investment in growing crop; prepaid expenses
- ❑ **End Result:**
  - accrual-based pro forma income statement
  - ending balance sheet
  - key financial indicators, ratios

49

# Analyze the Projection

- Is it profitable? (NI, ROA, ROE)
- Is it financially feasible? Can I fund:
  - Debt service payments
  - Net capital replacement
  - Living expense and taxes
- Operating line required & Max Outst Balance?
- Financial gauges & targets – End of Yr:
  - Working capital
  - Debt asset ratios
  - Financial Efficiency targets – turnover, operating profit margin

50

|                                   |                               | <b>Ratios &amp; Indicators</b> |            |             |             |             |             |             |
|-----------------------------------|-------------------------------|--------------------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Joe P Sample<br>Cust # Example    |                               | FYE 2006                       | FYE 2007   | FYE 2006    | FYE 2005    | FYE 2004    | FYE 2003    |             |
|                                   |                               | 12/31/2006                     | 12/31/2007 | 12/31/2006  | 12/31/2005  | 12/31/2004  | 12/31/2003  |             |
| <b>Liquidity-WC</b>               | <b>Balance Sheet</b>          |                                |            |             |             |             |             |             |
|                                   | Total Current Assets          | 288,955                        | 215,020    | 217,052     | 217,725     | 231,100     | 212,990     |             |
|                                   | Total Current Liabilities     | 144,045                        | 97,697     | 118,525     | 128,510     | 125,175     | 107,100     |             |
|                                   | Working Capital               | 144,910                        | 117,323    | 98,527      | 89,215      | 105,925     | 105,890     |             |
|                                   | Liquidity Ratio               | 2.01                           | 2.20       | 1.83        | 1.69        | 1.85        | 1.99        |             |
|                                   | Total Assets                  | 1,208,705                      | 1,171,370  | 1,202,152   | 1,191,725   | 1,184,600   | 1,166,450   |             |
|                                   | Total Liabilities             | 547,127                        | 545,807    | 590,090     | 641,080     | 661,475     | 673,650     |             |
|                                   | Total Equity                  | 661,578                        | 625,563    | 612,162     | 550,645     | 523,125     | 492,800     |             |
|                                   | Debt to Asset Ratio           | 45.27%                         | 46.80%     | 49.09%      | 53.79%      | 55.84%      | 57.76%      |             |
|                                   | Equity to Asset Ratio         | 54.73%                         | 53.40%     | 50.92%      | 46.21%      | 44.16%      | 42.25%      |             |
| Debt to Equity                    | 0.83                          | 0.87                           | 0.96       | 1.16        | 1.26        | 1.37        |             |             |
| <b>Solvency-D/A</b>               |                               | Avg                            | Projected  | FYE 2008    | FYE 2007    | FYE 2006    | FYE 2005    | FYE 2004    |
|                                   |                               |                                | Cash Flow  |             |             |             |             |             |
|                                   |                               |                                | 01/01/2009 | 01/01/2008  | 01/01/2007  | 01/01/2006  | 01/01/2005  | 01/01/2004  |
|                                   | <b>Income Statement (VFP)</b> |                                |            |             |             |             |             |             |
|                                   | Ag - Pers.                    | 5 Yr. Avg.                     | 12/31/2009 | 12/31/2008* | 12/31/2007* | 12/31/2006* | 12/31/2005* | 12/31/2004* |
|                                   | Gross Revenue                 | 517,170                        | 545,028    | 614,369     | 495,353     | 499,187     | 476,305     | 500,635     |
|                                   | VFP / Gross Profit            | 437,949                        | 457,028    | 530,199     | 416,503     | 419,282     | 398,025     | 425,735     |
|                                   | Operating Expense             | 251,140                        | 269,487    | 281,392     | 240,933     | 247,428     | 252,928     | 233,019     |
|                                   | (excl. depr. & Int.)          |                                |            |             |             |             |             |             |
|                                   | Oper. Exp. Ratio              | 57.34%                         | 58.97%     | 53.07%      | 57.85%      | 59.01%      | 63.55%      | 54.73%      |
| Depreciation Expense              | 31,948                        | 30,700                         | 28,450     | 31,500      | 32,500      | 35,640      | 31,450      |             |
| Depr. Exp. Ratio                  | 7.29%                         | 6.72%                          | 5.37%      | 7.59%       | 7.78%       | 8.95%       | 7.39%       |             |
| Interest Expense                  | 57,875                        | 40,348                         | 45,481     | 76,157      | 52,360      | 55,580      | 59,750      |             |
| Int. Exp. Ratio                   | 13.21%                        | 8.83%                          | 8.58%      | 18.28%      | 12.49%      | 13.96%      | 14.05%      |             |
| Asset Turnover Ratio              | 0.37                          | 0.38                           | 0.45       | 0.35        | 0.35        | 0.33        | 0.36        |             |
| Net Income From Oper.             | 96,986                        | 116,493                        | 174,876    | 67,813      | 86,884      | 53,877      | 101,471     |             |
| NIO Ratio                         | 22.15%                        | 25.49%                         | 32.98%     | 16.28%      | 20.72%      | 13.54%      | 23.83%      |             |
| Rate of Return on Assets          | 10.18%                        | 9.67%                          | 15.05%     | 9.22%       | 8.97%       | 6.72%       | 10.93%      |             |
| Rate of Return on Equity          | 10.73%                        | 11.56%                         | 20.76%     | 5.37%       | 9.45%       | 4.51%       | 13.53%      |             |
| Oper. Profit Margin Ratio         | 27.59%                        | 25.57%                         | 33.78%     | 26.26%      | 25.60%      | 20.05%      | 30.19%      |             |
| Income After Owner Withdrawal     | 75,405                        | 100,493                        | 148,026    | 47,713      | 67,224      | 34,339      | 79,721      |             |
| Term Debt & Cap. Lease Cov. Ratio | 1.64                          | 2.11                           | 2.59       | 1.43        | 1.56        | 1.22        | 1.56        |             |
| WC/AGI                            | 22.58%                        | 30.08%                         | 25.63%     | 21.52%      | 19.49%      | 23.14%      | 23.11%      |             |
| <b>Profitability</b>              |                               |                                |            |             |             |             |             |             |
|                                   |                               |                                |            |             |             |             |             |             |
| <b>ATR, OPM</b>                   |                               |                                |            |             |             |             |             |             |
|                                   |                               |                                |            |             |             |             |             |             |
| <b>ROE, ROA</b>                   |                               |                                |            |             |             |             |             |             |
|                                   |                               |                                |            |             |             |             |             |             |
| <b>Debt Serv Cap.</b>             |                               |                                |            |             |             |             |             |             |
|                                   |                               |                                |            |             |             |             |             |             |

51

| INCOME STATEMENT                   |                    | Cost/Cash          | Mkt/Accrual |
|------------------------------------|--------------------|--------------------|-------------|
| For Year Ended .....               |                    | 12/31/18           | 12/31/18    |
| <b>REVENUES</b>                    |                    |                    |             |
| Crops and Feed                     |                    |                    |             |
| Cash Sales                         | \$2,438,927        | \$2,438,927        |             |
| Inventory Change                   | 0                  | 341,836            |             |
| Gov't Payments                     | 307,374            | 307,374            |             |
| Hedging Transactions Income        | 68,586             | 68,586             |             |
| Hedging Adjmt-Unreal Gains(Losses) |                    | 12,000             |             |
| Other Cash Farm Income             | 327,501            | 327,501            |             |
| Change in Accts Receivable         | 0                  | (30)               |             |
| Unearned Income Adjustment         |                    | 0                  |             |
| <b>TOTAL REVENUE</b>               | <b>\$3,142,389</b> | <b>\$3,496,195</b> |             |
| Less: Lvstk/Other Resale Purchases | \$0                | \$0                |             |
| <b>Operating Margin</b>            | <b>\$3,142,389</b> | <b>\$3,496,195</b> |             |
| Gain(Loss) on Disposal Cap Assets  | 226,987            | 226,987            |             |
| <b>Total Income</b>                | <b>3,369,375</b>   | <b>3,723,181</b>   |             |
| <b>EXPENSES</b>                    |                    |                    |             |
| Cash Operating Expenses            | \$2,646,176        | \$2,646,176        |             |
| Exp Adjmt-Unused Assets            |                    | 3,003              |             |
| Exp Adjmt-Unpaid Items             |                    | (17,575)           |             |
| Depreciation                       |                    |                    |             |
| Machinery & Equipment              | 277,931            | 237,605            |             |
| Buildings & Improvements           | 75,235             | 40,955             |             |
| Cash Interest Expense              | 88,476             | 88,476             |             |
| Accrued Interest Change            |                    | (124)              |             |
| <b>TOTAL EXPENSES</b>              | <b>\$3,087,819</b> | <b>\$2,998,516</b> |             |
| <b>NET FARM OPERATING INCOME</b>   | <b>281,557</b>     | <b>724,665</b>     |             |

**Project  
+443k  
  
In Unreal  
Gain!**

52

## Financial Literacy Resources

- ❑ Farm Futures Magazine/FFSC – Financial Boot Camp  
→ <https://www.farmfuturesummit.com/en/ag-finance-boot-camp/boot-camp>
- ❑ King Ranch Institute – Managerial Acctg Lectureship  
→ <http://krirm.tamuk.edu/accounting/>
- ❑ NW Farm Credit System – Learning Center  
→ [www.northwestfcs.com/eLearning](http://www.northwestfcs.com/eLearning)
- ❑ Centrec Consulting  
→ [www.centrec.com/self-study](http://www.centrec.com/self-study)
- ❑ Farm Financial Standards Council – Financial Guidelines  
→ [www.FFSC.org](http://www.FFSC.org)
- ❑ Wittman Consulting-Financial models, templates, trend sheets  
→ [www.wittmanconsulting.com](http://www.wittmanconsulting.com)
- ❑ FINPACK – ratio definitions, templates  
→ [www.cffm.umn.edu/finpack/](http://www.cffm.umn.edu/finpack/)
- ❑ Wisconsin-PDPW: Financial Literacy Program  
→ [pwww.pdpw.org/programs/PDPWFinancialLiteracyForDairy20192020/details](http://pwww.pdpw.org/programs/PDPWFinancialLiteracyForDairy20192020/details)
- ❑ Kansas (Approved for FSA Borrowers Financial Training Credit)  
→ [Kansas:www.agmanager.info/events/farm-financial-skills-kansas-women-agriculture](http://Kansas:www.agmanager.info/events/farm-financial-skills-kansas-women-agriculture)

58