

INTRODUCTION TO *Record Keeping*

Objectives:

1. To determine the different types of record-keeping systems used in agribusiness.
2. To be able to collect, interpret, and analyze data.
3. To understand different types of SAE.

Record Keeping

- ◉ Keeping, filing, maintaining, and categorizing financial and production information

Basic Record Keeping

Why Keep Records?

- **Proof** – IRS can ask for proof of income, expense and inventory
- **Decision-aids** – balance sheets, cash flow and income statements aid in making more informed decisions
- **Institutional Requirements** – lending agencies and governmental bodies require records to be maintained over a number of years
- **Environmental Regulations** – Many agricultural establishments are asked to keep records on chemical use, livestock waste management and irrigation

Basic Types of Records

- Financial
- Production

Financial Records

- Product sales
- Operating expenses
- Equipment purchases
- Accounts payable
- Accounts receivable
- Inventories
- Depreciation records
- Loan balances
- Price information

Production Records

- Crop yields
- Plant populations
- Calves born
- Pounds of milk produced
- Weaning weights
- Death loss

Determining a Record Keeping System

- There is no right or wrong system
- Depends on the expected use of the records

Record Keeping System

- A good record keeping system should:
 - provide accurate and necessary information
 - fit into the farm organization
- Be able to fit in a form to aid in decision making

Basic Record Keeping

Record Keeping by Hand

- ⦿ Advantages include:
 - is low in cost
 - can be easily implemented
- ⦿ Disadvantages include:
 - is time consuming
 - creates greater chance of making a mistake

Record Keeping by Hand

- Journal format includes:
 - date
 - item involved
 - cash involved

Record Keeping by Computer

- ◉ Advantages
 - accurate
 - can be a powerful analysis tool
- ◉ Disadvantages
 - higher in cost
 - may require training

Record Keeping by Computer

- Select program based on type of farming operation
 - some programs calculate payroll for employees
 - some programs have income tax options

Basic Record Keeping

Record Analysis

- Assists in decision making
- Analysis tools include:
 - balance sheet
 - income statement
 - projected monthly cash flow statement

Balance Sheet

- Shows **net worth** for a specific date
 - the amount of assets of the company minus the money owed

Income Statement

- ◉ Is also known as profit/loss statement
- ◉ Calculates year-to-year profits

Projected Monthly Cash Flow Statement

- ◉ Is used to look ahead to the next year of operation
- ◉ Predicts cash shortfalls
- ◉ Analyzes changes

Maintenance of Records

- Update
daily/weekly/monthly/quarterly/yearly
depending on the type of record
- Income, expenses, and other items
should be updated daily or weekly

SAE Record Keeping

- **SAE (Supervised Agricultural Experience)** - supervised planned activity outside the classroom in which students gain experience and knowledge in agriculture
- Develops skills in record keeping

Basic Record Keeping

SAE Types

- Entrepreneurship
- Placement/Work-Based Learning
- Research Experimental
- Research Non-Experimental (Analytical)
- Exploratory
- Supplemental
- Improvement

Basic Record Keeping

SAE Entrepreneurship

- **Entrepreneur** – person who organizes, operates and assumes all financial risk for the enterprise
- SAE requires project manager to have an understanding of financial recordkeeping

Basic Record Keeping

SAE Agreement

- Is a contractual agreement between all parties with a vested interest in the student's experience

Basic Record Keeping

SAE Agreement

- ◉ Contains a detailed narrative description of the following:
 - project
 - responsibilities of all involved
 - project objectives
 - student learning outcomes
 - project timeline
 - budget
 - plan for evaluation
 - signatures of all parties involved

Basic Record Keeping

SAE Agreement

- Teaches planning and management before project begins
- Serves as a roadmap for the project

Journals and Journaling

- Are utilized in many types of record keeping systems
- In the context of a SAE:
 - utilized to record experiences valuable to the enterprise, also may be called logs
 - utilized to record learning experiences of the project manager
 - typically written or typed in one or more descriptive sentences
 - can hold quantitative and qualitative data

Expenses

- ◉ Are costs or things a project manager will spend money on
- ◉ Are two general types including:
 - current operating expenses – cost incurred to obtain goods which will not be placed into an inventory and are usually consumable in one year or less
 - non-current (capital) expenditures – cost incurred to obtain goods which will be placed in inventory and have a lifetime longer than a year (capital purchase)

Income

- Is a type of financial transaction where the project manager receives payments for goods and services, also known as capital received
- Has two general types including:
 - current operating income – cash or trade received for products or services sold
 - non-current (capital) income – sale of a non-current (capital) item from an enterprise inventory

Inventories

- Current
 - are typically consumed in one year or less, such as:
 - hay
 - feed
 - seed
- Non-current
 - have a life longer than one year and are placed in inventory, such as:
 - equipment
 - buildings
 - machinery

Inventories

- ◉ **Assets**

- are items in one's possession which have a value and can be converted into cash
- can be current or non-current

- ◉ **Liabilities**

- are debts you owe
- can be current (paid off in a short time) or non-current (paid off over years)

Inventories

- ◉ **Depreciation**

- is the process of devaluing an asset as it ages and experiences the wear and tear of annual use
- typically only non-current assets are depreciable

Financial Summaries

- Sums up all liabilities and all assets
- Subtracts liabilities from assets
- Calculates a net worth for an enterprise

Placement/Work-Based Learning

- Allows students to be employed to earn wages
- Provides valuable industry specific skills

Basic Record Keeping

SAE Agreement/Training Plan

- is a contractual agreement between all parties with a vested interest in the student's experience
- Contains a detailed narrative description of the following:
 - job description and responsibilities of the employee
 - responsibilities of the employer
 - project objectives
 - specific work-based skill to be learned
 - plan for evaluation
 - signatures of all parties involved

Basic Record Keeping

SAE Agreement/Training Plan

- Is one of the most important components
- Teaches planning and management before project begins
- Serves as a roadmap for the project

Basic Record Keeping

Journals

- Record valuable workplace experiences and log hours worked
- May or may not include income/expenses

Income & Expenses

- Can record financial income and expenses similar to entrepreneurship
- Are common income records or wages received
- Expenses records vary widely
 - i.e. supplies, meals, travel