

Farm Financial Statements

File C3-56

The financial position and performance of a farm business can be summarized by four important financial statements. The relationship of these statements is illustrated below. Information from these statements can be used:

- to make important financing and investment decisions,
- to substantiate credit applications,
- to derive performance measures for analyzing the farm business,
- to develop budgets for planning purposes.

The major statements and their purposes are as follows:

Net Worth Statement – Summarizes the property and financial assets owned, the debts owed, and the net worth of the business at a point in time.

Net Farm Income Statement – Summarizes the income generated, the expenses incurred, and the net income earned by the business during a period of time.

Statement of Cash Flows – Summarizes all the sources and uses of cash by the business during a period of time.

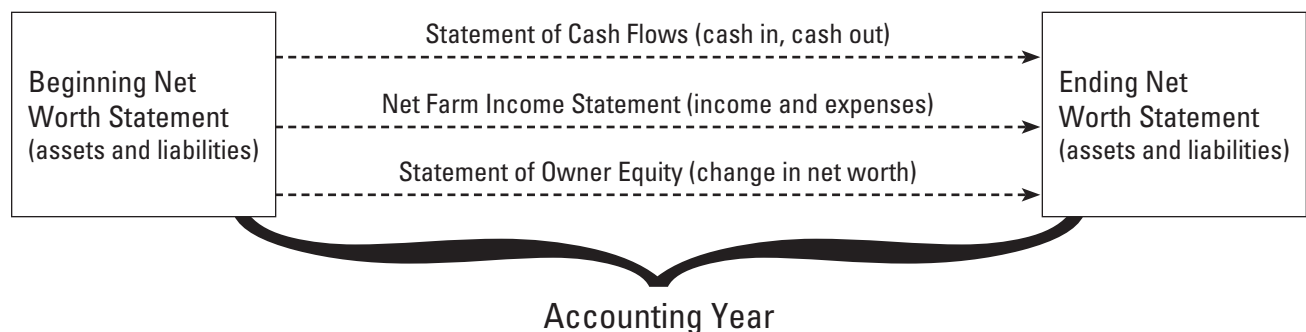
Statement of Owner Equity – Shows how net worth changed from the beginning to the end of the year.

Forms for preparing each of these statements are found in this publication, or in Decision Tool, [Comprehensive Financial Statements](http://www.extension.iastate.edu/agdm/wholefarm/xls/c3-56comprfinstatements.xlsx), www.extension.iastate.edu/agdm/wholefarm/xls/c3-56comprfinstatements.xlsx. Several supplemental schedules also are provided, on which assets and liabilities can be listed and subtotals of their values carried forward to the statements. Most of the information can be taken from the same sources used to prepare a farm income tax return, plus a listing of assets owned and liabilities owed.

More detailed information can be found in the following ISU Extension and Outreach publications:

- FM 1791, AgDM C3-20, [Your Net Worth Statement](https://store.extension.iastate.edu/Product/1814), <https://store.extension.iastate.edu/Product/1814>
- FM 1816, AgDM C3-25, [Your Farm Income Statement](https://store.extension.iastate.edu/Product/1822), <https://store.extension.iastate.edu/Product/1822>
- FM 1845, AgDM C3-55: [Financial Performance Measures for Iowa Farms](https://store.extension.iastate.edu/Product/1837), <https://store.extension.iastate.edu/Product/1837>
- FM 1792, AgDM C3-15: [Twelve Steps to Cash Flow Budgeting](https://store.extension.iastate.edu/Product/1815), <https://store.extension.iastate.edu/Product/1815>

Relationship of the four major financial statements



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FM 1824 Revised July 2021

Net Worth Statement

Name _____ Date _____

Farm Assets		Cost Value	Market Value	Farm Liabilities		Market Value
Current Assets (cost and market values are the same)			Current Liabilities			
Checking, savings accounts (Schedule A)			Farm accounts payable (Schedule P)			
Hedging accounts (Schedule A), market			Farm taxes due (Schedule Q)			
Crops held for sale/feed (Schedule B)			Current notes and credit lines (Schedule R)			
Investment in annual crops (Schedule C)			Accrued interest – current (Schedule R)			
Commercial feed on hand (Schedule D)			– fixed (Schedule S)			
Prepaid expenses (Schedule E)			Principal due on notes and contracts			
Market livestock (Schedule F)			Due in 12 months – fixed (Schedule S)			
Supplies on hand (Schedule G)						
Accounts receivable (Schedule H)						
Other current assets						
a. Total Current Assets			d. Total Current Liabilities			
Fixed Assets (cost and market values may differ)			Fixed Liabilities			
Unpaid co-op. distributions (Schedule I)			Notes and contracts, principal due beyond 12 months (Schedule S)			
Investment in perennial crops (Schedule J)			– Machinery			
Breeding livestock (Schedule K)			– Land			
Machinery & equipment (Schedule L)			– Other fixed assets			
Buildings/improvements (Schedule M)						
Farmland (Schedule N)						
Farm securities, certificates (Schedule O)						
b. Total Fixed Assets			e. Total Fixed Liabilities			
c. Total Farm Assets (a + b)			f. Total Farm Liabilities (d + e)			
g. Farm Net Worth (c – f)						
h. Farm Net Worth Last Year			Working Capital (a – d)			
i. Change in Farm Net Worth (g – h)			Current Asset-to-Debt Ratio (a / d)			
Percent Change in Net Worth (i / h)			Total Debt-to-Asset Ratio (f / c)			
Personal Assets (optional)			Personal Liabilities (optional)			
Bank accounts, cash, savings			Credit card, charge accounts, etc.			
Automobiles, boats, etc.			Automobile loans			
Household goods, clothing			Accounts payable, taxes due			
Stocks, bonds, etc.			Other loans			
Real estate			Real estate, other long-term loans			
Other personal assets			Other personal liabilities			
j. Total Personal Assets			k. Total Personal Liabilities			
l. Total Personal Net Worth (j – k)			Personal Debt-to-Asset Ratio (k / j)			
m. Total Assets, Farm & Personal (c + j)			n. Total Liabilities, Farm & Personal (f + k)			
Total Net Worth, Market Value (g + l)			Overall Debt-to-Asset Ratio (n / m)			

Net Farm Income Statement

Name _____ Year _____

Income			
Cash Income (numbers in () refer to IRS Schedule F)	Income Adjustments	Beginning	Ending
Sales of livestock bought for resale (1a)	Hedging accounts balance (Schedule A)		
Sales of raised livestock, grain, etc. (2)	Crops held for sale or feed (Schedule B)		
Cooperative distributions paid (3a)	Market livestock (Schedule F)		
Agricultural program payments (4a)	Accounts receivable (Schedule H)		
Crop insurance proceeds (6a)	Unpaid cooperative distributions (Schedule I)		
Custom hire income (7)	Breeding livestock (Schedule K)		
Other income (8), cash only	Other current assets		
Sales of breeding livestock	Subtotal of income adjustments		
Hedging accounts withdrawals	b. Net income adjustment (ending – beginning)		
a. Total Cash Income	c. Gross Farm Revenue (a + b)		

Expenses			
Cash Expenses (numbers in () refer to IRS Schedule F)	Expense Adjustments (paid in advance)	Beginning	Ending
Car and truck expenses (10)	Investment in growing crops (Schedule C)		
Chemicals (11)	Commercial feed on hand (Schedule D)		
Conservation expenses (12)	Prepaid expenses (Schedule E)		
Custom hire (13)	Supplies on hand (Schedule G)		
Employee benefits (15)	Subtotal of adjustments		
Feed purchased (16)	e. Net adjustment (beginning – ending)		
Fertilizer and lime (17)	Expense Adjustments (due)	Beginning	Ending
Freight, trucking (18)	Farm accounts payable (Schedule P)		
Gasoline, fuel, oil (19)	Farm taxes due (Schedule Q)		
Insurance (20)	Subtotal of adjustments (expenses due)		
Interest paid (21a + 21b)	f. Net adjustment (ending – beginning)		
Labor hired (22)	g. Depreciation (Schedule J + L + M)		
Pension and profit-share plans (23)	h. Total Operating Expenses (d + e + f + g)		
Rent or lease payments (24a + 24b)	(excluding interest)		
Repairs, maintenance (25)	i. Net Farm Income from Operations (c – h)		
Seeds, plants (26)	Interest Adjustments	Beginning	Ending
Storage, warehousing (27)	Accrued interest (Schedule R + S)		
Supplies purchased (28)	j. Net interest expense		
Taxes (farm) (29)	(cash – beginning + ending)		
Utilities (30)	Total Farm Expenses (h + j)		
Vet. fees, medicine, breeding (31)	k. Sales of farmland (Schedule N, column e)		
Other expenses (32), cash only	l. Cost value of land sold (Schedule N, column c)		
Livestock purchased	m. Capital gains or losses (k – l)		
Hedging accounts deposits			
d. Total Cash Expenses	n. Net Farm Income (accrual) (i – j + m)		
Net Farm Income (cash) (a – d)	Value of Farm Production (c – purchases of feed & livestock)		

Statement of Cash Flows

Name _____ Year _____

	Cash In	Cash Out
Cash farm income and expenses (operating)		
Total cash income (line a, net farm income statement)		xxx
Total cash expenses (line d, net farm income statement)	xxx	
Capital assets (investing)		
Sales of capital assets (Schedule L, column c + M, column c + N, column e + O, column c)		xxx
Cost of purchases and trades (Schedule J, column b + L, column b + M, column b + N, column b + O, column b)	xxx	
Loans (financing)		
New loans received		xxx
Principal paid on loans	xxx	
Nonfarm (withdrawals)		
Nonfarm income invested in the farm business		xxx
Cash withdrawn from the farm for family living, taxes, savings, etc.	xxx	
Cash on hand (balance in farm checking and savings accounts, excluding hedging accounts)		
Beginning of year (Schedule A)		xxx
End of year (Schedule A)	xxx	
Total of cash in and cash out*		

*If all cash transactions are included correctly, the totals for the two columns will be approximately equal.

Statement of Owner Equity

Name _____ Year _____

	Cost Value	Market Value
a. Farm net worth, beginning of year (Line g, beginning net worth statement)		
b. Change in market value of capital assets (net of depreciation) (Line i, ending net worth statement, market value _____ minus cost value _____)	xxx	
c. Net farm income (accrual) (Line n, net farm income statement)	<i>same value for cost and market</i>	
d. Net nonfarm withdrawals: (nonfarm income invested – cash withdrawn) (see statement of cash flows)	<i>same value for cost and market</i>	
e. Calculated change in net worth (b + c + d)		
f. Farm net worth, end of year (Line g, ending net worth statement)		
g. Actual change in net worth (f – a) (line e should approximately equal line g)		
h. Percent of net farm income retained in the business this year ((c + d) / c)	%	xxx
i. Percent of change in market value net worth from retained earnings this year (g, cost value / g, market value)	%	xxx

Farm Financial Statements - Supporting Schedules

Name _____ Year _____

Schedule A. Farm Checking, Savings and Hedging Account Balances	
Description (include farm-related checking and savings accounts)	Balance
Total checking and savings balances	
Hedging accounts balances, market value (total)	

Schedule B. Crops Held for Sale or Feed				
Description	(a) Quantity	Unit	(b) Price	Value (a x b)
Total	xxx	xxx	xxx	

Schedule C. Investment in Annual Growing Crops				
Description	(a) Acres	(b) \$/acre	Value (a x b)	
Total		xxx		

Schedule D. Commercial Feed on Hand				
Description/Species	(a) Quantity	Unit (lb., ton)	(b) Price	Value (a x b)
Total	xxx	xxx	xxx	

Schedule E. Prepaid Expenses				
Description	(a) Quantity	Unit	(b) Price	Value (a x b)
Total	xxx	xxx	xxx	

Schedule F. Market Livestock

Description	(a) Number	(b) Average Weight (lbs.)	(c) Total Weight (lbs.) (a x b)	(d) Price per Pound	Value (c x d)
Total	xxx	xxx	xxx	xxx	

Schedule G. Supplies on Hand

Description	(a) Quantity	Unit	(b) Price	Value (a x b)
Total	xxx	xxx	xxx	

Schedule H. Accounts Receivable*

Description	Value
Total	

Schedule I. Unpaid Cooperative Distributions

Description	Value
(a) Total value from previous year	
(b) Value of distributions earned this year	
(c) Value of distributions paid in cash this year	
Total value this year (a + b - c)	

*Include product sales, government program payments and crop insurance payments earned but not yet received.

Schedule J. Investment in Perennial Growing Crops

Description	(a) Previous Year Value	(b) New Investment	(c) Remaining Life, Years	(d) Depreciation (a + b) / c	Value (a + b - d)
Total			xxx		

Schedule K. Breeding Livestock

Description	(a) Number	(b) Price per Head	Value (a × b)
Total		xxx	

Schedule L. Machinery and Equipment

Annual depreciation rate = _____ %*

Description (items can be aggregated)	(a) Previous Cost Value	(b) Cost of Purchases and Trades	(c) Income from Sales	(d) Depreciation* (% rate × (a + b - c))	New Cost Value (a + b - c - d)	Market Value (estimate)
Total						

* Depreciation rate of 10% suggested.

Schedule M. Buildings and Improvements

Annual depreciation rate = _____ %*

Description (items can be aggregated)	(a) Previous Cost Value	(b) Cost of Purchases and Trades	(c) Income from Sales	(d) Depreciation* (% rate × (a + b - c))	New Cost Value (a + b - c - d)	Market Value (estimate)
Total						

* Depreciation rate of 5% suggested.

Schedule N. Farmland

Description	(a) Number of Acres	(b) Cost of New Purchases	(c) Previous Cost Value	(d) New Cost Value (b or c)	(e) Revenue from Land Sold	(f) Market Value per Acre (estimate)	Total Market Value (a × f)
Beginning of the year		xxx			xxx	xxx	xxx
Acres sold this year	-	xxx	+	-		xxx	xxx
Subtotal	=	xxx	xxx	=	xxx		
Acres purchased this year	+		xxx	+	xxx		+
Improvements made (nondepreciable)	+	+	xxx	+	xxx	xxx	+(column d)
Total, end of year	=	=	=	=		xxx	=

Schedule O. Securities and Certificates (farm-related stocks, bonds, shares, etc.)

Description	(a) Beginning Value	(b) Value of New Purchases and Investments	(c) Value Sold or \$ of Cash Withdrawn	Ending Value (a + b - c)
Total				

Schedule P. Farm Accounts Payable

Schedule Q. Farm Taxes Due

Description	Value	Description	Value
Total		Total	

Schedule R. Current Notes and Credit Lines

Source and Purpose	(a) Interest Rate %	(b) Days since loan received or last payment made	(c) Balance Owed	Accrued Interest $\left(\frac{a \times b \times c}{365}\right)$
Total	xxx	xxx		

Schedule S. Fixed Notes and Contracts

Source and Purpose	(a) Interest Rate %	(b) Days since loan received or last payment made	(c) Balance Owed	(d) Principal due, next 12 months	Principal due beyond 12 months (c - d)	Accrued Interest $\left(\frac{a \times b \times c}{365}\right)$
Total	xxx	xxx				