

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 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.

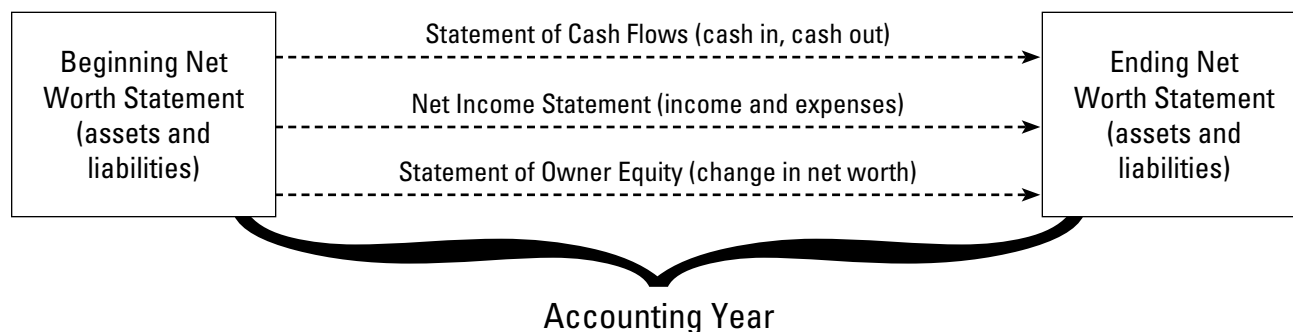
Statement of Owner Equity—Shows how net worth changed from the beginning to the end of the year.

Forms for preparing each of these statements are found in this publication, or in *Decision Tool, Comprehensive Financial Statements* (download Excel file at www.extension.iastate.edu/agdm/wholefarm/xls/c3-20-25-55comprfinstatements.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:

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

Relationship of the four major financial statements



... and justice for all

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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 accts. (Sch. A) | | | Accounts payable (Sch. P) | |
| Hedging accounts (Sch. A) | | | Farm taxes due (Sch. Q) | |
| Crops held for sale/feed (Sch. B) | | | Current notes and credit lines (Sch. R) | |
| Investment in annual crops (Sch. C) | | | Accrued interest - current (Sch. R) | |
| Commercial feed on hand (Sch. D) | | | - fixed (Sch. S) | |
| Prepaid expenses (Sch. E) | | | Principal due on notes and contracts | |
| Market livestock (Sch. F) | | | Due in 12 months - fixed (Sch. S) | |
| Supplies on hand (Sch. G) | | | | |
| Accounts receivable (Sch. H) | | | Other current liabilities | |
| Other current assets | | | Other current liabilities | |
| a. Total Current Assets | | | d. Total Current Liabilities | |
| Fixed Assets (cost and market values may differ) | | | Fixed Liabilities | |
| Unpaid co-op. distributions (Sch. I) | | | Notes and contracts, principal due beyond 12 mos. (Sch. S) | |
| Invest. in perennial crops (Sch. J) | | | - Machinery | |
| Breeding livestock (Sch. K) | | | - Land | |
| Machinery & equipment (Sch. L) | | | - Other fixed assets | |
| Buildings/improvements (Sch. M) | | | | |
| Farmland (Sch. N) | | | Other fixed liabilities | |
| Farm securities, certificates (Sch. O) | | | Other fixed liabilities | |
| Other fixed assets | | | | |
| 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 accts., 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 Sch. F) | Income Adjustments | Beginning | Ending |
|---|---|------------------|---------------|
| Sales of livestock bought for resale (1a) | Hedging accounts balance (Sch. A) | | |
| Sales of raised livestock, grain, etc. (2) | Crops held for sale or feed (Sch. B) | | |
| Cooperative distributions paid (3b) | Market livestock (Sch. F) | | |
| Agricultural program payments (4b) | Accounts receivable (Sch. H) | | |
| Crop insurance proceeds (6b) | Unpaid cooperative distributions (Sch. I) | | |
| Custom hire income (7) | Breeding livestock (Sch. K) | | |
| Other cash income (8) | 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. Total Farm Income (a + b) | | |

Expenses

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

Schedule G. Supplies on Hand

| Description | (a) Quantity | Unit | (b) Price | Value (a x b) |
|--------------|-----------------|------|--------------|------------------|
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| | | | | |
| 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 x 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 x (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 x (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) Previous Cost Value | (c) Cost of New Purchases | (d) Revenue from Land Sold | (e) New Cost Value* (b + c) | (f) Market Value per Acre (estimate) | Total Market Value (a x f) |
|--------------|------------------------------|----------------------------------|------------------------------------|-------------------------------------|--------------------------------------|---|-------------------------------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | xxx | |

* Zero if land has been sold.

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

| Description | (a) Beginning Value | (b) Value of New Purchases & 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 rcd. or last payment made | (c) Balance Owed | Accrued Interest $(\frac{a \times b \times c}{365})$ |
|--------------------|------------------------------|--|------------------------|--|
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| | | | | |
| | | | | |
| Total | xxx | xxx | | |

Schedule S. Fixed Notes and Contracts

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