

# An Integrated Financial Management Package

Department of Agricultural Economics — [www.agmanager.info](http://www.agmanager.info)



**Kansas State University Agricultural Experiment Station and Cooperative Extension Service**

**Michael R. Langemeier**  
Professor, Agricultural Economics

Agricultural producers need a complete farm record system for their business to analyze profitability and changes in equity. This record of accounts would go beyond just the information needed to complete income tax forms.

An excellent set of records provides not only a historical account of the business, but also provides information that can be used for budgeting and planning. Comparison of actual records to forward budgets allows the producer to make timely adjustments and improve financial planning. Problem areas can be determined, and management refined.

Financial accounting statements needed to summarize a farm's financial position and management ability are:

- Balance Sheet
- Income Statement
- Cash Flow Statement

For further information on these financial statements, see the following Farm Management guides: MF-275, *Cash Flow Projection for Operating Loan Determination*; MF-291, *Balance Sheet—A Financial Management Tool*; and MF-294, *Income Statement—A Financial Management Tool*.

## **Integrated Financial Statements**

The Balance Sheet, Income Statement, and Cash Flow Statements shown on pages 2 to 4 of this guide present an integrated financial accounting package. These statements provide not only information for management, but also ensure overall record accuracy as information in one report is integrated into all other statements.

The Balance Sheet should be completed at the same time each year, allowing computation of the asset and liability picture for one full year. A balance sheet may include changes in retained earnings (net income remaining after family living withdrawals) and appreciation in assets. The balance sheet in Table 2 does not include capital gains on land, so this statement reflects changes in retained earnings.

The Income Statement (accrual) measures the financial performance of the farm business for a period of time. Adjustments to crop and livestock inventories and expenses are included in an accrual income statement.

The Cash Flow Statement combines the cash receipts and expenses from the Income Statement, as well as nonfarm income and expense, to provide a complete record of cash inflow and outflow. Note that capital asset purchases, family living withdrawals, and income and self-employment taxes are included as cash outflows in the cash flow statement. Capital asset purchases include machinery, building, and land purchases.

The financial statement package supplies the background information needed to develop a number of important financial and management ratios. These ratios provide information for managerial, credit, and investment analysis. For more information, see the following Farm Management Guide MF-270, *Financial Ratios Used in Financial Management*.

**Table 1. Balance Sheet**

	<b>Jan. 1</b>	<b>Dec. 31</b>	<b>Average</b>
<b>ASSETS:</b>			
Cash .....(1)	\$ 45,363	\$ 50,555	\$ 47,959
Marketable Securities .....(2)	0	0	0
Accounts Receivable.....(3)	1,758	1,816	1,787
Fertilizer and Supplies .....(4)	21,367	25,406	23,387
Investment in Growing Crops.....(5)	0	0	0
Crops Held for Sale and Feed .....(6)	133,049	158,710	145,880
Market Livestock .....(7)	83,469	81,001	82,235
<b>TOTAL CURRENT ASSETS.....(8)</b>	<b>\$ 285,006</b>	<b>\$ 317,488</b>	<b>\$ 301,247</b>
(Add Lines 1 through 7)			
Breeding Livestock.....(9)	\$ 53,813	\$ 55,117	\$ 54,465
Machinery and Equipment .....(10)	220,734	241,546	231,140
Buildings .....(11)	32,913	35,480	34,197
Investments in Cooperatives .....(12)	20,298	22,208	21,253
Land .....(13)	529,026	544,592	536,809
<b>TOTAL NONCURRENT ASSETS .....(14)</b>	<b>\$ 856,784</b>	<b>\$ 898,943</b>	<b>\$ 877,864</b>
(Add Lines 9 through 13)			
<b>TOTAL ASSETS.....(15)</b>	<b>\$1,141,790</b>	<b>\$1,216,431</b>	<b>\$1,179,111</b>
(Add Lines 8 and 14)			
<b>LIABILITIES AND OWNER EQUITY:</b>			
Accounts Payable.....(16)	\$ 0	\$ 0	\$ 0
Taxes Payable.....(17)	0	0	0
Accrued Expenses.....(18)	3,871	4,207	4,039
Current Portion: Deferred Taxes .....(19)	51,351	59,993	55,672
Notes Due Within One Year.....(20)	119,716	122,345	121,031
Current Portion of Term Debt .....(21)	14,545	15,203	14,874
Accrued Interest .....(22)	2,000	2,000	2,000
<b>TOTAL CURRENT LIABILITIES.....(23)</b>	<b>\$ 191,483</b>	<b>\$ 203,748</b>	<b>\$ 197,616</b>
(Add Lines 16 through 22)			
Noncurrent Portion: Deferred Taxes .....(24)	\$ 51,266	\$ 53,936	\$ 52,601
Noncurrent Portion: Notes Payable.....(25)	60,888	63,641	62,265
Noncurrent Portion: Real Estate Debt .....(26)	127,527	133,291	130,409
<b>TOTAL NONCURRENT LIABILITIES .....(27)</b>	<b>\$ 239,681</b>	<b>\$ 250,868</b>	<b>\$ 245,275</b>
(Add Lines 24 through 26)			
<b>TOTAL LIABILITIES .....(28)</b>	<b>\$ 431,164</b>	<b>\$ 454,616</b>	<b>\$ 442,890</b>
(Add Lines 23 and 27)			
<b>OWNER EQUITY.....(29)</b>	<b>\$ 710,626</b>	<b>\$ 761,815</b>	<b>\$ 736,221</b>
(Subtract Line 28 from Line 15)			
<b>TOTAL LIABILITIES AND OWNER EQUITY (30)</b>	<b>\$ 1,141,790</b>	<b>\$1,216,431</b>	<b>\$1,179,111</b>
(Add Lines 28 and 29)			

**Table 2. Income Statement****Farm Business Receipts:**

Crop Cash Sales .....	(1A)	\$ 231,439	
Ending Crop Inventory .....	(1B)	158,710	
Beginning Crop Inventory .....	(1C)	133,049	
Accrual Gross Revenue from Crops .....	(1)		\$ 257,100
(Line 1A + Line 1B - Line 1C)			
Livestock and Milk Cash Sales .....	(2A)	\$ 175,594	
Ending Livestock Inventory .....	(2B)	136,118	
Beginning Livestock Inventory .....	(2C)	137,282	
Accrual Gross Revenue from Livestock and Milk .....	(2)		\$ 174,430
(Line 2A + Line 2B - Line 2C)			
Gain/Loss on Sale of Breeding Livestock Sales .....	(3)		\$ 0
Agricultural Program Payments .....	(4)		26,041
Crop Insurance Proceeds .....	(5)		15,592
Other Farm Income .....	(6)		30,783
GROSS REVENUE (Add Lines 1 through 6) .....	(7)		\$ 503,946
Livestock Purchases .....	(8)		74,252
Cost of Purchased Feed/Grain .....	(9)		40,266
VALUE OF FARM PRODUCTION (Line 7 - Line 8 - Line 9) .....	(10)		\$ 389,428
<b>Farm Business Expenses:</b>			
Labor Hired .....	(11)		\$ 14,404
Repairs .....	(12)		30,459
Seed .....	(13)		30,337
Fertilizer .....	(14)		47,699
Machine Hire .....	(15)		12,377
Veterinarian Expense .....	(16)		4,791
Marketing .....	(17)		5,930
Fuel and Utilities .....	(18)		31,278
Property Tax .....	(19)		6,242
General Farm Insurance .....	(20)		5,635
Cash Rent .....	(21)		22,012
Herbicide and Insecticide .....	(22)		23,704
Miscellaneous .....	(23)		15,967
TOTAL CASH OPERATING EXPENSES .....	(24)		\$ 250,835
(Add Lines 11 through 23)			
Expense Inventory Adjustment .....	(25)		\$ -3,703
Depreciation .....	(26)		30,617
TOTAL OPERATING EXPENSES .....	(27)		\$ 277,749
(Line 24 + Line 25 + Line 26)			
Interest .....	(28)		\$ 20,403
TOTAL EXPENSES (Line 27 + Line 28) .....	(29)		\$ 298,152
NET FARM INCOME FROM OPERATIONS (Line 10 - Line 29) .....	(30)		\$ 91,276
Gain/Loss on Sale of Capital Assets .....	(31)		\$ 0
NET FARM INCOME (Line 30 + Line 31) .....	(32)		\$ 91,276

**Table 3. Cash Flow Statement**

	<b>Annual Estimate</b>
<b>CASH INFLOW ITEMS</b>	
Livestock:	
Beef.....(1)	\$ 136,015
Swine.....(2)	16,990
Dairy.....(3)	20,223
Other Livestock.....(4)	2,366
Crops:	
Corn.....(5)	69,010
Grain Sorghum.....(6)	20,061
Wheat.....(7)	61,626
Soybeans.....(8)	63,600
Hay and Forage.....(9)	10,647
Other Crops.....(10)	6,495
Agricultural Program Payments.....(11)	26,041
Crop Insurance Proceeds.....(12)	15,592
Miscellaneous Income.....(13)	30,725
Capital Asset Sales.....(14)	4,521
Off-Farm Income.....(15)	12,624
<b>TOTAL CASH INFLOW (Add Lines 1 through 15).....(16)</b>	<b>\$ 496,536</b>
<b>CASH OUTFLOW ITEMS</b>	
Feed.....(17)	\$ 40,266
Hired Labor.....(18)	14,404
Repairs.....(19)	30,459
Seed.....(20)	30,337
Fertilizer.....(21)	47,699
Machine Hire.....(22)	12,377
Veterinarian Expense.....(23)	4,791
Marketing.....(24)	5,930
Fuel and Utilities.....(25)	31,278
Property Tax.....(26)	6,242
General Farm Insurance.....(27)	5,635
Cash Rent.....(28)	22,012
Herbicide and Insecticide.....(29)	23,704
Miscellaneous Expense.....(30)	15,967
Interest.....(31)	20,403
Beef Purchases.....(32)	71,299
Swine Purchases.....(33)	1,804
Dairy Purchases.....(34)	1,091
Other Livestock Purchases.....(35)	58
Capital Asset Purchases.....(36)	74,083
Family Living Withdrawals.....(37)	48,853
Income and Self-Employment Taxes.....(38)	7,719
<b>TOTAL CASH OUTFLOWS (Add Lines 17 through 38).....(39)</b>	<b>\$ 516,411</b>
<b>NET CASH FLOW (Line 16 - Line 39).....(40)</b>	<b>\$ -19,875</b>

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