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Farm Financial Records: Selecting a Computerized Accounting Program

James E. Friesen, Raymond E. Massey and Timothy A. Powell

This is one of a series of four extension publications which address the use of accounting for agricultural management. EC92-888-C, *Farm Financial Records: Accounting Principles*, discusses accounting practices and financial statements as they relate to agriculture. This publication, *Farm Financial Records: Selecting a Computerized Accounting Program*, builds upon that information, and discusses accounting and record keeping as they relate to selecting a **computerized** record keeping system for an agricultural business.

EC92-890-C *Farm Financial Records: Financial Analysis* gives an introduction to the use of records for management and reporting to various persons interested in the business. It draws upon the recommendations of the Farm Financial Standards Task Force. EC92-891-C, *Farm Financial Records: Record Keeping Alternatives for Nebraska Producers*, outlines specific hand-kept record books, record keeping services, and educational record keeping programs available to Nebraskans.

Introduction

Micro-computers have been available for adoption by farmers since the early 1980s however, few farmers were willing to use computers in the early years. Prices for the computer and its various components (*hardware*) were initially high. Additionally, relatively few farm-oriented programs (*software*) were available.

The evolution of computer technology since the early 1980s has led to faster, larger, more reliable computers at lower prices. Therefore, many farm operations are now using computers. In 1983, a survey showed that 3 percent of Nebraska farmers had computers. By 1989, another survey revealed that 25 percent of Nebraska farmers had computers. Over two-thirds of these producers use their computer for business applications related to their farm (2).

Today, much agricultural software is available in various categories. Doane Information Services has periodically published an agricultural software directory listing most commercially available

agricultural software (1). Their 1990 directory included categories on accounting, farm management, agribusiness, commodities, crops, livestock, and machinery oriented software. In the accounting section alone, over 70 different programs from 41 companies were listed.

Over the next several pages, you will learn the issues related to computerized farm accounting, and how to select farm accounting software for your farm business.

Record keeping options

A computerized farm accounting program is only one option for keeping your financial records. Many record keeping systems are available to farmers. Refer to EC92-891-C, *Farm Financial Records: Record-Keeping Alternatives for Nebraska Producers*, for a discussion of several non-computer alternatives.

Why a computer?

A commonly given reason for buying a computer is record keeping. Computers are seen as making a



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A computerized accounting program:

WILL automate report generation
WILL offer a wide diversity of reports
MAY increase the accuracy and usefulness of record information
WILL NOT ease transaction entry tedium
WILL NOT be a complete farm record system
WILL NOT replace your accountant

traditionally dreaded task — record keeping — easier, more accurate, or more worthwhile. Some of these perceptions are true, while others are less valid.

A computerized accounting program will automatically generate a wide diversity of reports. Generating reports from a paper ledger is completely manual and time consuming. The computer can generate reports for you with a few keystrokes. Also, by using the computer, the number of different reports which can be produced in minutes, and the various ways the information can be organized far exceeds what hours of effort with a hand kept system will produce.

A computer may or may not increase the accuracy and usefulness of record information. While mistakes can always be made entering record information, during report generation the computer takes over, greatly reducing computational errors which may occur. However, **ultimate control over the record information remains with you.**

Computers will not totally reduce the tedium of transaction entry. As with any record-keeping system, it takes effort to collect the necessary data and enter them into the computer. Additionally, if you are unfamiliar with the computer or the software, record keeping tasks may be more difficult, until you learn how to operate the system.

Neither will a computerized accounting program function as a complete farm record system or substitute for an accountant. Production, inventory, machinery and

other essential farm records may or may not be kept within a financial accounting program. Also, you still need access to competent accounting knowledge and advice.

Selecting a Computerized Farm/ Ranch Accounting Program

Analyze your needs

What are your records needed for? Common reasons for keeping records are discussed in EC92-888-C *Farm Financial Records: Accounting Principles*. Also in that publication is a **Needs Assessment Worksheet**, which may help you identify your record keeping needs. Starting with an analysis of your current record keeping system, you need to define what output (e.g. financial reports) you need for your operation. What reports are now used? What other reports would you like to use? Examples include an income statement, Schedule 1040F tax form, statement of cash flows, balance sheet, bank reconciliation report, and enterprise reports.

You need to decide what reports you want directly from a computerized accounting program, and what reports you will generate through other methods. It is important to clearly define your needs before purchasing software.

Understand the choices involved in computerized accounting

There are several issues which should be understood to successfully navigate the computerized farm accounting terrain. Among them are standard accounting practices which are discussed in *Farm Financial Records: Accounting Principles*. If you are not familiar with *Debits, Credits, Double Entry* versus *Single Entry* accounting, *Cash Basis* versus *Accrual Basis* accounting, or any of the example reports mentioned previously, you may need to review that publication before continuing.

Double versus Single Entry Accounting

The selection of a double versus single entry accounting system affects the various reports which may be generated by the system, and the complexity of keeping records within the system. The **Needs Assessment Worksheet** may help you to identify whether a single or double entry accounting system is appropriate for you.

Standard hand-kept accounting systems are relatively easy to categorize. Single entry systems require the entry of one value for each transaction, while double entry systems are characterized by the entry of at least two numbers (a debit and a credit) for each transaction. The advent of accounting on the computer has resulted in many transaction entry formats which, like the hybrid paper system, don't resemble any standard system. Some single

entry computerized systems require the keystroke entry of two amounts for each transaction, while some double entry systems require only the keystroke entry of one amount and an account. Also, many double entry systems do not use the debit and credit convention.

So how are you to identify whether a system is single or double entry? A true double entry system will meet an accounting definition: it will have 1) a chart of accounts including detailed asset, liability, equity, expense and income accounts, and 2) will maintain the equality of the accounting equation (assets = liabilities + equity) with offsetting entries to at least two accounts for each transaction. Systems which do not meet this definition are considered single entry systems.

Double Entry System

- **Chart of accounts includes detailed asset, liability, equity, expense and income accounts**
- **Accounting equation is maintained:
Assets = Liabilities + Equity**

Chart of Accounts

The chart of accounts is the heart and soul of an accounting system. It is the road map for guiding the transactions to their appropriate place on each report. Give much attention to the chart of accounts features when selecting a program.

An example chart of accounts is shown in Figure 1. Recognize that a

single entry system would not have the extensive "balance sheet" accounts (asset, liability, and equity) included. Several important items of consideration with the chart of accounts are:

- **Chart of Accounts Modification**
Can the chart of accounts be modified? Most accounting programs come with an example or predefined chart of

Figure 1. Example double entry chart of accounts.

| Account Number | Account Name | Account Number | Account Name |
|--------------------|-------------------------|-----------------|---------------------------|
| Assets | | Income | |
| 1000 | Current Assets | 3100 | Market Livestock Sales |
| 1020 | Checking account | 3110 | Market hogs |
| 1035 | Accounts receivable | 3140 | Market cattle |
| 1210 | Inventory-mkt hogs | 3200 | Crop Sales |
| 1400 | Non-Current Assets | 3210 | Soybeans |
| 1460 | Co-op equity | 3220 | Corn |
| 1510 | Breeding hogs | 3400 | Other Farm Income |
| 1530 | Breeding cattle | 3430 | Government Payments |
| 1610 | Machinery and equipment | | |
| 1720 | Farm real estate | | |
| Liabilities | | Expenses | |
| 2000 | Current Liabilities | 5000 | Labor Expense |
| 2020 | Operating Loan | 5300 | Other Operating Expense |
| 2400 | Non-Current Liabilities | 5310 | Machinery repairs |
| 2080 | Intermediate term notes | 5410 | Interest |
| 2100 | Long term notes | 5420 | Rent |
| | | 5451 | Grain |
| | | 5510 | Seed |
| | | 5520 | Fertilizer |
| | | 5530 | Pesticides |
| | | 5550 | Machine hire |
| | | 5620 | Veterinary fees |
| | | 5650 | Fuel |
| | | 5710 | Property taxes |
| | | 5730 | Utilities |
| | | 5810 | Auto expense |
| | | 5840 | Legal and accounting fees |
| Equity | | | |
| 3000 | Paid in capital | | |
| 3010 | Retained earnings | | |

accounts which the user may start with. However, most agricultural businesses will need to modify the accounts somewhat to better fit their operation. If not, does the chart of accounts contain the account detail necessary for your purposes?

When may the chart of accounts be modified?

Users often recognize the need for an additional account in their chart of accounts during transaction entry. An ability to add accounts "on the fly" adds flexibility to a program.

- **Chart of Accounts Structure**
How many accounts may be created? Many accounting programs have upper limits on the number of accounts which the program can handle. Most have an adequate number for a farm or ranch business; however, depending upon your specific needs, you may find yourself limited.

How many levels of accounts are available?

"Levels" of accounts refers to an ability to include increasingly detailed accounts beneath more general accounts. Figure 2 graphically depicts this organizational structure. The more levels, the greater the detail available for reporting. Generally, three levels of accounts are sufficient for adequate detail.

May business and non-business transactions be kept separate?

If the same accounting system is to be used for home accounting, the two should be kept separate. This may be a chart of accounts feature, or the non-business transactions may be maintained as a separate entity for reporting purposes.

- **What coding scheme is used to identify accounts?** Two coding schemes are commonly used. The example shown in

Figure 2. Chart of accounts levels.

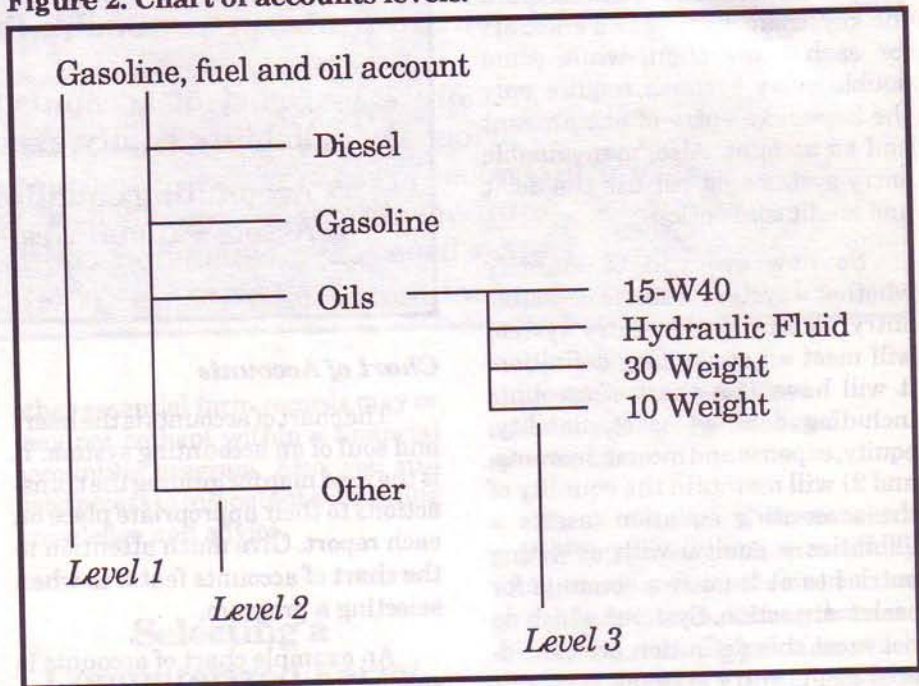


Figure 1 uses a numeric scheme. Each account has a number assigned to it. An alternative coding scheme is alphanumeric. With this scheme, each account may be named with a limited number of alphabetic or numeric characters. Thus, the Feed expense account could be called *feed* and the soybean income account could be called *beans*. The alphanumeric scheme may be easier to remember, however either coding system is acceptable.

After a program is selected which offers acceptable chart of accounts features, the ultimate responsibility for developing a logically organized chart of accounts lies with the user. Consult with a professional when constructing your chart of accounts.

Enterprising functions

Enterprise accounting is the ability to accumulate groups of costs related to particular enterprises within the farm organization. Enterprise accounting provides little or no information for tax reporting, but greatly increases the usefulness of financial records for management purposes.

As could be expected, these benefits do not come for free. Additional data are required to generate accurate and meaningful enterprise reports. First, while enterprise accounting can be accomplished through the chart of accounts, true enterprise accounting capabilities will mean an addition of another data item in the transaction for designating the enterprise. Thus, the enterprise system works **with** the chart of accounts for a more efficiently designed accounting system. Figure 3 shows an example enterprise list. The ability to modify the enterprise list is critical. While many farms will be able to share common account lists, each farm has its own enterprise accounting needs. As with the chart of accounts, "on the fly" modification is desirable.

The other additional record keeping requirement for accurate enterprise reporting is proper allocation of transactions to enterprises. Many expenditures are easily allocated directly to the appropriate enterprise. For example, a seed corn expense would be allocated directly to the 1991 Corn Crop in Figure 3. However, correct allocation of feed expenses between *Steers, feedlot pen 1* and *Steers, feedlot pen 2* will require accurate measurement of the

feed supplied to each pen. Also, rules may need to be developed for allocating the expenditures accumulated under the *General Overhead* heading among the other enterprises.

For full enterprise accounting flexibility, the ability to accumulate transactions over more than one financial year is required. For example, the 1992 calf crop on a Sandhills ranch may easily span two financial years, with calving in the spring of 1992, and sale of calves to a feedlot in 1993. When the rancher requests an enterprise report on the 1992 calving enterprise in May of 1993, he should get one report with all transactions for that enterprise, regardless of the fact that he is currently in the 1993 financial year. To get a true picture of the profitability of the 1992 calving enterprise, all costs and returns associated with that enterprise need to be displayed on one enterprise report.

Budgeting functions

Most farmers and ranchers are familiar with the Cash Flow Plan. Through cash flow planning, producers can project cash sources and uses for an upcoming time period. Many accounting programs offer similar capabilities through budgeting functions. Before beginning a new financial year, the producer may enter a budgeted amount for each account in the chart of accounts. With double entry systems, both cash

and non-cash transactions may be budgeted. Features to look for when evaluating the budgeting ability of a program are:

- is a separate budget report available (similar to a cash flow plan)?
- can you budget for sub-periods (months or quarters) of the financial year?
- are the budgeted amounts included on other reports, such as income statements or enterprise reports, for easy comparison of actual and budgeted amounts?
- can the previous year's budgeted or actual amounts be brought forward as a starting point for the following year's budgets?

Entry of physical quantities

As stated earlier, a farm accounting program is primarily a tool for collecting and organizing **financial** information. It probably will not be a complete farm record system. However, it is a convenient place to enter some production record information. The ability to record one or two physical quantities for each transaction will provide useful information for enterprise analysis. Be sure that these quantities are totaled by the computer for reporting. For example, when cattle are sold, the number of

head sold, and/or the total pounds for the transaction could be entered. Then, at the end of the accounting period, the enterprise report would contain detailed cost and revenue information, plus the total number of head, and/or pounds of cattle sold. Per unit revenues and costs can then be derived from this information.

Availability of additional modules

Many programs offer related modules, sold separately, which address special needs as additions to the base accounting program. Buying an accounting system in modules may reduce the total cost as those modules not needed are not purchased. Examples of additional modules are listed below.

- depreciation modules will keep extensive information on depreciable assets
- accounts receivable and payable modules will offer significant advantages if you need to track large numbers of accounts receivable or payable
- payroll modules address the unique needs of businesses which employ many people
- crop or livestock production record modules will keep production records which complement the financial information

These features are attractive selling points for a program only if they interface with the accounting module directly, sharing input screens or data items. If they are completely "stand alone" programs, they should be evaluated on their own merits and may be able to complement any financial accounting program equally.

Factors affecting ease of use

A particular accounting program may be a technically sound program, and offer all of the features you want in an accounting program, yet still not be usable for your operation. There are many factors which affect

Figure 3. Example enterprise list.

| Enterprise Number | Enterprise Name |
|-------------------|---------------------------|
| 1 | General Farm Overhead |
| 2 | 1991 Corn Crop |
| 3 | 1991 Soybeans, Jones Farm |
| 4 | 90-91 Wheat Crop |
| 5 | Cow-calf Herd |
| 6 | Steers, feedlot pen 1 |
| 7 | Steers, feedlot pen 2 |

how "user friendly" a computer program is. The following sections describe a few of these.

Split transaction entry

Every farm frequently writes a check to pay for items which need to be allocated to more than one account. When allocating these expenditures, the ability to split the transaction between more than one account helps. Without this ability, checks often must be entered as two or more separate transactions.

Time saving features — account look-up and vendor listing

Among the many reasons computers are used for tasks like accounting is more efficient use of time for tedious tasks. Account look-up and vendor listing functions are examples of features which can save time. An on-line account look-up allows a user to access an electronic list of the codes and descriptions of each account in the chart of accounts during transaction entry. Thus, the user doesn't need to memorize the chart of accounts.

A vendor listing function will allow a user to store information about persons or businesses with which business is done regularly. During transaction entry, the user may call up the vendor list and select the business for the current transaction. Data stored about each vendor will vary from program to program. Most allow the vendor's full name and an address. Some will also store information about typical transactions with the vendor. For example, if every transaction to Joe Smith is a sale of feeder pigs, the *feeder pigs sold* account may be stored and placed on the transaction entry screen upon his selection. With monthly loan payments the complete transaction including a constant payment amount, and accounts could be stored.

Logical menu structure

A menu in a computer program is a list of alternatives available to

the user at each stage in the program. With the extensive features many programs offer, as well as the program maintenance tasks needed, the number of menu items can become very large. A well organized menu makes it relatively easy to get from one area to another. A poorly organized menu causes confusion when using the program, and may cause the user to get lost. Some of the newer programming techniques tend to produce more user-friendly menu structures. Examples of these are drop-down or pop-up menus, which "pop-up" over other items on the computer screen without erasing what was in the background. This makes it easier for the user to keep track of where he or she is in the program.

Equally important is the method for backing out of sub-menus to the main menu. This method, whether it be a menu selection, or pushing the escape key, should be obvious and consistent throughout the program.

On-line help

On-line help is like an electronic manual for a program. Help features within an accounting program may offer assistance in finding your way around the program, defining accounting terms, describing data items needed in input blanks, or provide other information. If the help is *context sensitive*, the program will instantly provide help appropriate for the part of the program you are in at the time. Non-context sensitive help will generally provide a help system menu you may use to select the help topic desired. Content and quality of help information varies from program to program.

Level of accounting terminology used

Most farmers are not accountants. Many are not comfortable thinking of accounting in debit and credit terms. The number of unfamiliar accounting methods and terms used in a program can greatly affect a producer's success with that program. Generally, single entry ac-

counting programs will use less complicated accounting concepts.

Many double entry accounting programs are available which do not use debit and credit terminology, however. Rather, accounts may be increased and decreased. For example, a typical expenditure would increase an expense account and decrease the checking account. Behind the scenes, these programs will maintain the records in true debit and credit fashion for the user. While the increase/decrease method may seem easier to grasp, be wary when a program advertises that you don't need to know anything about double entry accounting to run their system. Beyond increases and decreases, the double entry accounting rules are the same.

Search features

During the normal course of business, a user often needs to look up a particular transaction which has already been entered into the system. This may commonly occur when a bank's records are being reconciled with the producer's accounting system. Therefore, the ability to search the accounting database for transactions is desired. Most programs will allow you to reference particular entries by their check or transaction number. Many will allow you to enter other search conditions to find entries in question. For example, you may be able to search for a check to Bill Smith, or a transaction involving the *corn inventory* account. Also desirable is a simple "browse" feature, where you can scroll through a transaction log to find a particular entry.

Other features

Many other features are available in software programs which improve their useability. Examples of these are listed below.

- "hot keys" may instantly perform various repetitive tasks
- batch check entry may allow groups of checks to be entered more quickly

- check-writing feature may allow checks to be printed on your printer
- "pop-up" four function calculator may eliminate the need to keep a calculator around while entering transactions

Every year, previously unique features become "standard equipment" on most software, while new features are added which further increase software useability.

Documentation

The instruction manual and other supporting materials which come with the program are important items which should not be overlooked. When questions arise about the software, this documentation is often the first place to look for an answer. The documentation should be attractively printed, logically organized, and easily understood. The language should be appropriate for novice computer and accounting persons. Topics which should be addressed include:

- detailed setup and installation instructions
- accounting principles
- setting up or modifying the chart of accounts
- transaction entry
- report generation
- trouble shooting
- a glossary
- an index
- where to go for further support

Additionally, a tutorial section, and examples of various transaction entries can be very helpful.

Support

The support you receive with a farm accounting package is critical, especially as these programs get more complex. Services which software vendors may offer include:

- help in setting up the system
- training classes

- telephone support
- a newsletter

Be sure to ask if these items are included in the purchase price or are extra. Most companies do charge an annual fee for their support. Ask if the support fee includes a toll free phone number, or if it is a toll call. Local support for a software package differs from program to program. Some software companies work with local dealers who usually know their product well and provide excellent support. Other companies support their products exclusively at a central location by phone. The level of support you will need depends upon your familiarity with computers and accounting.

Reports

Because the output is the reason for the input, reporting capabilities of a farm accounting program are critical. Both the variety of reports available from a particular program, and the format of those reports are important. EC92-888-C, *Farm Financial Records: Accounting Principles*, and EC92-890-C, *Farm Financial Records: Financial Analysis*, both present and discuss various common financial reports for agricultural businesses. Standard financial reports recommended by the *Farm Financial Standards Task Force* (FFSTF) are the Balance Sheet, the Income Statement, the Statement of Cash Flows, and the Statement of Owner Equity. Of these, the Balance Sheet and Income Statement are currently common on many accounting programs. Additional reporting options are also commonly available from a computerized accounting system.

Different combinations of reports may be accurately generated from accounting systems, depending upon the structure of the system (single or double entry) and how records are being kept within the system (cash- or accrual-based). Keeping cash-based records in a single entry

system, which only contains detailed income and expense accounts, will only produce reports which use the income and expense accounts. These may include cash-based income statements, enterprise reports and cash flow reports. Keeping cash-based records in a double entry system, which includes asset, liability, and equity accounts, will produce the same variety of reports. However, **correctly** kept accrual records in a double entry system will produce accrual based income statements and enterprise reports, and balance sheets in addition to the cash based reports mentioned previously.

A word of caution is in order about generating balance sheets from double entry accrual records. It is technically possible to generate a Balance Sheet, if records are kept in accordance with Generally Accepted Accounting Principles (GAAP). These methods will generate a *book value* balance sheet (cost minus accumulated depreciation). This will be useful for management purposes, tax purposes, and annual reports to stockholders, but will not be very useful for reporting to lenders, who generally want to see a *market value* statement. Generating the traditional *market value* balance sheet will still require periodic inventories, and updating of previous balance sheets for the current market value of assets.

The following sections present various considerations regarding reports which pertain to computerized accounting systems. Refer to *Farm Financial Records: Accounting Principles*, or *Farm Financial Records: Financial Analysis* for discussions of the purpose and suggested format for each report.

Balance Sheet

The balance sheet, also called a net worth statement, reports the account balances on a particular day. It is a useful and necessary report for a business. However, as mentioned before, choosing to generate the book value balance sheet from the accounting system adds a level of complexity to financial record

keeping. Again, only properly designed, well maintained double entry systems, being used to keep accrual records, will instantly generate an accurate book value balance sheet **from the accounting transactions**. With this in mind, many producers choose to generate balance sheets by hand, using a spreadsheet, or with another "manual" software package, as a supplement to the reports generated from their actual accounting system.

Some single entry accounting programs have a balance sheet report option. These reports do not access the accounting transactions. They are "stand alone" reports, to be used as the previously mentioned "manual" balance sheet generators.

The format of balance sheets from different software packages will differ. Besides the standard format, some packages will offer double column balance sheets, where both the book value and market value of assets may be reported. With these systems, the market value is simply entered manually for each account, and prints out next to the book value for the account. Many divide the assets and liabilities into the traditional three time categories — current, intermediate, and long term. Others may divide them into two categories — current and non-current. These formats are all acceptable. Select the one which is most appropriate for your situation.

Income Statement

An income statement reports transactions occurring over a reporting period. Cash basis income statements report only cash-based transactions. Accrual basis income statements report cash and non-cash transactions. They also adjust income for changes in the value of inventories, receivable and payable accounts. The FFSTF recommends that the income statement include a calculation of gross revenue and net farm income, both on an accrual basis.

Various presentation formats exist for income statements also. Separate columns may report the current month and year-to-date totals. The current account totals may be compared to amounts budgeted at the beginning of the year, or the current account totals may be compared with the totals at this time last year. Again, select the format which is most appropriate for your situation.

Schedule 1040F Tax Form

The tax form used by farm businesses is a special type of income statement. While mainly cash based, it also includes depreciation, a non-cash expense item. Schedule 1040F tax form criteria change periodically due to changes in tax codes. Accounting programs which include Schedule 1040F reports should allow for changes in the report format. Two methods are common. Some software publishers issue updates to the program with the new report format. Other programs allow the user to define which accounts belong to each Schedule F line.

Cash Flow Reports

The main purpose of financial accounting systems is to collect and report actual (historical) financial transactions. The Cash Flow Plan, which most farmers use as a planning tool, represents a projection, or budget, of a **future** period. The discussion of budgeting functions on page 7 gives more information about this type of report. The same format can also be used to report historical transactions. Programs which include this feature may ease comparison of budgeted with actual amounts.

The Statement of Cash Flows is a distinctly different report. Its format is primarily suited for reporting historical cash flows for use by persons outside the business. As it was just recently recommended by the FFSTF, it may be a more common reporting option in the future. Its format, presented in *Farm Finan-*

cial Records: Accounting Principles, is defined by the Task Force.

Statement of Owner Equity

The Statement of Owner Equity, like the Statement of Cash Flows, has recently been recommended by the FFSTF. It explains the source of changes in owner's equity (net worth) from one balance sheet to the next. See *Farm Financial Records: Accounting Principles* for an explanation of the Statement of Owner Equity format. This report is not currently common on most farm accounting software packages. However, it may become more commonplace as the task force recommendations are adopted.

Audit Trail Report

An audit trail report is characteristic of computerized accounting systems. With paper systems, the general journal, or transaction log, functions as an audit trail. It is simply a transaction by transaction listing of the entries which were made into the accounting system.

An audit trail has two purposes. First, it can be a quick reference for looking up transactions in question. Audit trails can be even more useful if they may be sorted or grouped by date, account, vendor, or other fields. Second, it serves as an insurance policy. A hard copy report of all detail entered can save many hours worth of work in the event of a disk drive failure.

Enterprise Reports

Enterprise reports may be thought of as income statements for the individual enterprises which make up a farm business. They list income and expenses associated with a particular enterprise, as well as adjustments for inventory changes if the report is accrual basis. Physical quantities are often presented on enterprise reports, if they are kept in the system. For example, a corn enterprise report could include revenues and expenses associated with

corn production, as well as how many bushels of corn were sold or stored in inventory, pounds of fertilizer applied, and gallons of diesel fuel used. The cost of production per bushel, net return per bushel, average cost of fuel, and other measures may easily be calculated from information presented on the enterprise report, or the program may calculate and present these measures automatically.

Regarding format, different programs may include the actual account values for the current period as compared to the budgeted amounts for the period or totals to date. Select the format which is most appropriate for your situation.

Other Report Considerations

Beyond the conventional financial reports mentioned previously, computerized accounting systems may have the capability to produce various additional useful reports. Some common supplemental reports include:

- bank account reconciliation report
- balance sheet or income statement trend analysis report
- vendor activity report
- financial analysis report

When you select a farm accounting program to fit your operation, flexibility in reporting may also be desirable. Some programs will allow you to customize existing reports or design new ones to generate the output you need. With the ability, however, also comes the responsibility to ensure these reports are designed in a sound fashion.

Strategies for Computerizing Your Financial Accounting System

For businesses which have not kept records on computers before, the world of computerized accounting can be scary. Agricultural accounting software can represent a

large investment. When properly adopted, however, computerization can lead to more complete, efficient, and useful financial record systems.

Different approaches for different situations are appropriate when selecting a computerized accounting system. For example, you may be well versed in accounting and know what you need from a system. In this case, you may feel comfortable committing to a full featured accounting program. However, many producers feel uneasy spending several hundred dollars on a program, taking the risk that computerized accounting and the program they select will work for them. In this case, start small.

A few inexpensive small business — not farm related — accounting packages are available which work well for “getting your feet wet”. After using one of these for one or two years, you may decide that this is enough for your operation. You may also decide that you definitely need the features a comprehensive farm accounting program will provide. You will also have a good idea about what features you require in a farm accounting program.

Conclusion

Selecting the right computerized accounting system for your farm or ranch is an important responsibility. The right system will significantly affect your success with computerized record keeping. You should explore five or six alternatives and purchase a demonstration copy of any package you are seriously considering before making a final decision. Complete the **Needs Assessment Worksheet** in *Farm Financial Records: Accounting Principles*, and use the **Computerized Accounting Program Checklist** in appendix A of this publication to help match your needs with the right program.

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- 1) Doane Publishing, 1990 Agricultural Computing Ag Software Directory, 11701 Borman Drive, St. Louis, MO 63146.
- 2) Sarno, Elizabeth, Nebraska Agricultural Operators' Ownership of Microcomputers, Masters thesis, University of Maryland, College Park, Maryland, 1991.

When Shopping for a Computerized Accounting Program:

- Define your accounting needs
- Examine several programs
- Talk to other farmers/ranchers
- Consult with your accountant or financial advisor
- Buy a demonstration copy
- Attend accounting workshops
- Match the record keeper's abilities with the program's complexity
- Consider future needs

ACCOUNTING SOFTWARE CHECKLIST

| | | | | | |
|---------------------------------------|--|--|--|--|--|
| Program Name: | | | | | |
| FEATURES: | | | | | |
| Single/Double entry | | | | | |
| Support multiple businesses/farms? | | | | | |
| Projection or budgeting feature? | | | | | |
| Allow enterprise accounting? | | | | | |
| May enterprises span fiscal years? | | | | | |
| Physical quantities entered? summed? | | | | | |
| Checkwriting feature? | | | | | |
| CHART OF ACCOUNTS: | | | | | |
| Chart of accounts modifiable? | | | | | |
| Number of accounts possible: | | | | | |
| Number of account levels: | | | | | |
| REPORTS: | | | | | |
| Income statement? Cash/accrual? | | | | | |
| Statement of cash flows? | | | | | |
| Cash flow plan, or budget report? | | | | | |
| Enterprise reports? Cash/accrual? | | | | | |
| Schedule 1040F tax form? | | | | | |
| Balance sheet? | | | | | |
| Statement of owner equity? | | | | | |
| Report formats acceptable? | | | | | |
| FACTORS AFFECTING USEABILITY: | | | | | |
| On-line help? | | | | | |
| Help/lookup of account codes? | | | | | |
| Vendor listing available? | | | | | |
| Search features? by which data items? | | | | | |
| Split transaction entry? | | | | | |
| DOCUMENTATION: | | | | | |
| Accounting principles section? | | | | | |
| Chart of accounts setup section? | | | | | |
| Trouble shooting section? | | | | | |
| Transaction entry section? | | | | | |
| SUPPORT: | | | | | |
| Tutorial available? | | | | | |
| Training/classes available? | | | | | |
| Toll free phone help available? | | | | | |
| Annual support cost: | | | | | |
| OTHER: | | | | | |
| Demonstration copy available? cost? | | | | | |
| Base system cost: | | | | | |
| ADDITIONAL MODULES AVAILABLE: | | | | | |
| Accounts receivable/payable: cost? | | | | | |
| Depreciation module: cost? | | | | | |
| Payroll module: cost? | | | | | |
| Production record modules: cost? | | | | | |