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Farm Financial Records: Record-Keeping Alternatives For Nebraska Producers

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

This is one in a series of four extension publications on farm financial records. Other publications in this series include: EC 92-888-C, *Farm Financial Records: Accounting Principles*; EC 92-889-C, *Farm Financial Records: Selecting a Computerized Accounting Program*; and EC 92-890-C, *Farm Financial Records: Financial Analysis*.

A well organized and complete set of records is an important part of a successful farm business. Farm records are needed to prepare income tax reports, as a basis for credit, and to assist with management decisions including lease arrangements, insurance programs, cropping decisions, marketing, and participation in government programs.

Many options are available to Nebraska producers. They range from the simple hand-kept record books to fully computerized systems. A description of the major alternatives that are available to Nebraska producers follows¹.

¹This discussion, although extensive, is not all encompassing. Some record books or systems may be excluded. This information is not intended to endorse any product.

²Group summaries are a summary of select financial data (e.g. liquidity, solvency, profitability, and efficiency measures) of all members in the record group. They are usually given as ranges, averages, upper one-third, lower one-third, deviations from average, etc. Group summaries are useful as a comparison for the individual producer. Producers can compare individual operations to others to see if they are doing well or if there is room for improvement.

Hand-Kept Record Books

There are many hand-kept record books available to Nebraska producers. The initial expense for this type of system is typically less than the other types. However, group summaries² are unavailable for comparison and the support and service of a computerized accounting program or record-keeping service is not available. A discussion of selected record books follows. Features available with each are found in Table 1.

Nebraska Farm and Ranch Business Record

This hand-kept record book is available from Nebraska Cooperative Extension, Institute of Agriculture and Natural Resources, University of Nebraska-Lincoln. Commonly called the "Blue Book", it is designed to allow the recording of

receipts, expenses, and other information. The "Blue Book" is available from any Nebraska extension office or from Bulletin Distribution, 105 ACB, University of Nebraska-Lincoln, Lincoln, NE 68583-0918. Ask for publication FM-88-4. There is a charge of \$4.00 per book, plus local and Nebraska sales tax plus \$1.50 shipping for the "Blue Book".

Farm Credit Services Farm and Ranch Record Book

The Farm Credit Services provides a record book for use by farmers and ranchers. The Farm Credit Services record book is available from any local Farm Credit Services office. It is free to Farm Credit Services customers.

Farm Family Record Book

The Farmers Home Administration (FmHA) provides a farm and ranch record book. The Farmers Home Administration record book is available from any Farmers Home Administration office. It is free to FmHA customers.



Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Kenneth R. Bolen, Director of Cooperative Extension, University of Nebraska, Institute of Agriculture and Natural Resources.



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Doane's Profitab Farm Record System

Doane Information Services offers a record book designed to keep farm records. It has been expanded to over 300 pages. Profitab is available directly from Doane Information Services, P.O. Box 28660, St. Louis, MO 63146 (314) 569-2700. The cost of Profitab was \$29.95 in November of 1991.

Nebraska Vocational Agriculture Record Book

A hand-kept record book is available through the high school Vocational Agriculture Program in Nebraska. It is part of the high school Vocational Agriculture Program, but is available separately. Practice problem sets are available to aid in record-keeping education. The Nebraska Vocational Agriculture Record Book is available through any high school Vocational Agriculture Program. Check with your local high school Vocational Agriculture teacher. It is also available from Fairbury Journal Printers, Box 415, Fairbury, NE 68352. The record book is free to Vocational Agriculture students. There is a small charge (\$2.00 in November, 1991) to others.

Nebraska Farm Business Association Farm Account Book

The Nebraska Farm Business Association (NFBA) offers a record book separate from their record-keeping services. See the NFBA under Record-Keeping Services for a full description of services offered. The NFBA record book is available from Nebraska Farm Business Association, 112 Mussehl Hall, East Campus, University of Nebraska-Lincoln, Lincoln, NE 68583-0719 (402) 472-1399. The NFBA record book, newsletter, and annual group summary is available for a set fee (\$55.00 in November 1991).

Ag Business Management Account Book

The technical community colleges in Nebraska offer the Ag Business Management Account Book separate from their Nebraska Land Farm and Ranch Business Management Education Program. See the Nebraska Land Farm and Ranch Business Management Education Program under Educational Record-Keeping Programs for a full discussion of the community college program.

The Ag Business Management Account Book is available at any Nebraska technical community college book store or from Adele Publishing Co., Box 25, Seward, NE 68434 (402) 643-4340. If purchased from Adele Publishing Co., a postage charge is added to the total price (approximately \$10.00 in November, 1991).

Other Sources

In addition to the record books discussed, other commercial firms and other state extension services offer a record book. The extension office for each state can give you the details on cost and availability. If none of the formal record books prove suitable, generic ledger books are available from most stationary stores. A customized record-keeping system can be developed from these ledger books.

Table 1 summarizes features for all the hand-kept record books discussed. All of the record books are single entry cash based systems. The most accurate type of financial statements are generated with double-entry systems, but if accurate records of cash receipts and expenses, accounts payable and receivable, capital purchases and sales, loans and beginning and ending inventories are kept adjusted accrual statements can be generated with all the record books.

Record-Keeping Services

Many options are available for record-keeping services. They range from the local bookkeeping services available in most communities to statewide services. The local services vary in what they offer, and do not usually provide group summaries that allow for comparison of the individual firm to group averages. Local banks may also offer recordkeeping systems. For more information on the local services available check the telephone book under bookkeeping, accountants and accounting, or with your local bank.

Statewide record-keeping services commonly offer a variety of services including record-keeping, financial analysis, tax preparation, and consulting services. A description of selected offerings for Nebraska follows.

Nebraska Farm Business Association

The Nebraska Farm Business Association (NFBA) is a business management service for the individual farm or ranch business. The NFBA is a non-profit organization that provides record-keeping and accounting services, financial analysis services, tax preparation, and consulting services.

Accounting services include a manual record book (see the NFBA under Hand-Kept Record Books for a complete description of the record book) and a mail-in computerized system. Analysis services include spring and summer on-site farm visits, year end tax planning, tax preparation, book closing, and individual and comparative analysis. Detailed enterprise analysis is also available. A computerized record-keeping/accounting program may be substituted for the hand-kept or mail-in systems.

Contact the Nebraska Farm Business Association, 112 Mussehl Hall, East Campus, University of Nebraska-Lincoln, Lincoln, NE 68583-0719 (402)472-1399 for further information and costs.

Iowa Farm Bureau Records Service

The Iowa Farm Bureau offers a computerized farm business accounting, income tax, and financial information service. The accounting services are accessed through mail-in record-keeping or computerized software packages. A monthly cash flow (actual and budgeted), journal listing, and ledger are provided. End of year reports include cash flow, journal listing, ledger, schedule F, depreciation schedule, capital gains and losses, investment credit, and personal, non-farm, and tax-deductible expenses. Enterprise, whole farm, and comparative analysis options are available. Other options include depreciation schedules, personal records, and retired farmer (ledger - only) program. Group summaries are not presently available but they are planned in the future.

The Farm Bureau records services are available statewide. Contact AgMaster, Farm Bureau Ag Business Corp., 5400 University Avenue, West Des Moines, IA 50265 (515) 225-5658 for further information and current costs.

Educational Record-Keeping Programs

The University of Nebraska-Lincoln Cooperative Extension and the technical community colleges routinely offer educational programs in record-keeping, accounting, and financial analysis. For the current offering by the extension service check with your local Extension office. A discussion of the community college program follows.

Nebraskaland Farm and Ranch Business Management Education Program

The technical community colleges in Nebraska offer an educational program that is geared toward record-keeping and business analysis. This program consists of three years of classroom instruction in record-keeping and business analysis. All participant records are combined into an annual group summary for the entire state. Comparisons are made on an enterprise and whole farm basis.

The first year of the program participants receive a hand-kept record book (see Technical Community College Record Book under Hand-Kept Record Books for a complete description of the record book), ten classes, ten on-site farm or ranch visits, individual farm computer analysis, and an annual group summary. In the second year classes and on-site visits are reduced to six, and the third year, four classes and four on-site visits are provided. The record-book, computer analysis and annual group summary are furnished each year of the program. Participation beyond the third year is possible, with one on-site visit, along with the other services.

A computerized record-keeping/accounting program may be substituted for the handkept record book throughout the program. The specific computer programs supported vary by location. Check with your nearest community college for additional information.

The cost (at this writing) of the community college education program is \$165.00 per year for years one, two, and three. Participation beyond the third year costs \$75.00 per year. The Nebraskaland Farm and Ranch Business Management Education Program is available in all community college districts. Check with the community college nearest to you.

Additional Information

Doane Information Services publishes a comprehensive directory of agricultural software currently available. Over seventy-five general accounting systems for personal computers are listed in the latest edition (1990) of Doane's Ag Software Directory. A brief description of the software, hardware requirements, cost, and source is listed for each package.

The directory is available for \$12.95 (as of November, 1991) from Doane Information Services, P.O. Box 28660, St Louis, MO 63146 (314)569-2700.

Table 1. Features of Hand-Kept Record Books

Features	Nebraska Farm & Ranch Business Record	Farm Credit Services Farm & Ranch Record Book	Farmers Home Administration Farm Family Record Book	Doane's Profitable Farm Record System	Nebraska Vocational Agriculture Record Book	Nebraska Farm Business Association Farm Account Book	Community College Ag Business Management Account Book
Financial Records							
Check & deposit register	Yes ¹	Yes	Yes ¹	Yes	Yes	Yes	Yes
Crop production records	Yes	Yes	Yes	No	Yes	Yes	Yes
Insurance records	No	No	No	Yes	No	No	No
Investment records	Yes	No	No	No	No	Yes	Yes
Landlord transactions	Yes	No	No	No	No	Yes	Yes
Livestock production records	No	Yes	Yes	No	Yes	Yes	Yes
Loan transactions	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Payable/receivables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Financial Statements							
Cash flow budget	Yes	No	Yes	Yes	Yes	Yes	Yes
Comparative annual summary	Yes	Yes	Yes	Yes	No	Yes	Yes
Financial analysis	No	Yes	No	Yes	Yes	No ²	Yes
Net worth statement	Yes	Yes	Yes	Yes	Yes	No ²	Yes
Profit and loss statement	No	Yes	No	Yes	No	No ²	Yes
Tax Records							
Capital asset transactions	Yes	Yes	Yes	Yes	No	Yes	No
Depreciation	No	Yes	No	Yes	Yes	Yes	Yes
Family living	Yes	Yes	Yes	Yes	No	Yes	Yes
Farm labor	Yes	Yes	Yes	Yes	No	Yes	Yes
Farm expense	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Farm income	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Government Payments	Yes	Yes	No	Yes	No	Yes	Yes
Inventory	Yes	Yes	No	Yes	Yes	Yes	Yes
Livestock purchased for resale	Yes	Yes	No	Yes	No	Yes	Yes
Nonfarm income	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other							
Cost ³	\$4.00	Free to customers	Free to customers	\$29.95	\$2.00	\$55.00 ⁴	\$10.00
Loose leaf binder	No	No	No	Yes	Yes	Yes	No

¹No specific column for check numbers but they may be entered in description column.

²These are available as part of the analysis services offered by NFBA at an extra charge.

³These fees were current at the time of publication.

⁴Includes membership fee, newsletters and annual report.