

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.

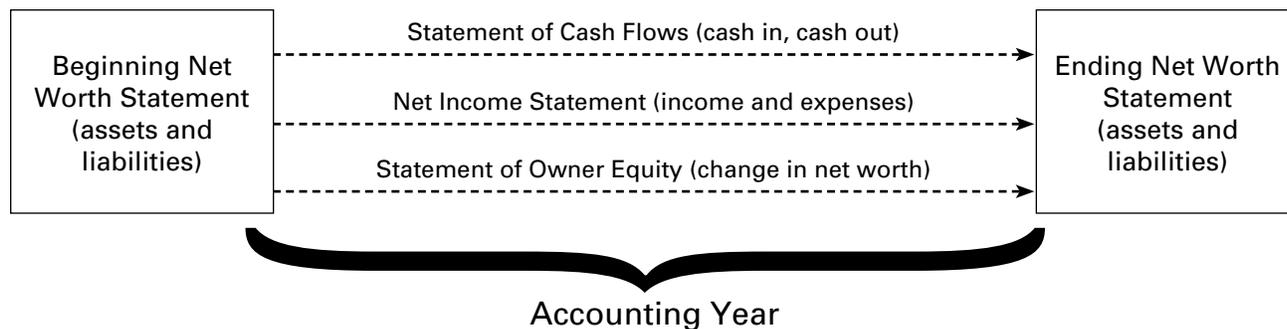
**Statement of Owner Equity**—Shows how net worth grew from the beginning to the end of the year.

Forms for preparing each of these statements are found in this bulletin. Several supplemental schedules also are provided, where 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 your income tax return, plus a listing of assets.

More detailed information can be found in the following Iowa State University Extension publications:

- Your Net Worth Statement (*FM 1791/AgDM C3-20*)
- Your Farm Income Statement (*FM 1816/AgDM C3-25*)
- Twelve Steps to Cash Flow Budgeting (*FM 1792/AgDM C3-15*)
- Financial Performance Measures for Iowa Farms (*FM 1845/AgDM C3-55*)

## Relationship of the four major financial statements



... and justice for all

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## Net Worth Statement

Name \_\_\_\_\_ Date \_\_\_\_\_

<b>Farm Assets</b>	<b>Cost Value</b>	<b>Market Value</b>	<b>Farm Liabilities</b>	<b>Market Value</b>
Checking and savings accounts			Accounts payable (Sched. N)	
Crops held for sale/feed (Sched. A)			Farm taxes due (Sched. O)	
Investment in growing crops(Sch. B)			Current notes and credit lines (Sched. P)	
Commercial feed on hand (Sch. C)			Accrued interest - short (Sched. P)	
Prepaid expenses (Sched. D)			- fixed (Sched. Q)	
Market livestock (Sched. E)				
Supplies on hand (Sched. F)			Due in 12 months - fixed (Sched. Q)	
Accounts receivable (Sched. G)				
Other current assets			Other current liabilities	
<b>a. Total Current Assets</b>			<b>b. Total Current Liabilities</b>	
Unpaid co-op. distributions(Sch. H)			Notes and contracts, remainder (Sched. Q)	
Breeding livestock (Sched. I)			- Machinery	
Machinery & equipment (Sched. J)			- Land	
Buildings/improvements (Sched. K)			- Other fixed assets	
Farmland (Sched. L)				
Farm securities, certificates(Sch. M)				
Other fixed assets			Other fixed liabilities	
<b>Total Fixed Assets</b>			<b>Total Fixed Liabilities</b>	
<b>c. Total Farm Assets</b>			<b>d. Total Farm Liabilities</b>	
<b>e. Farm Net Worth (c - d)</b>			Working Capital (a - b)	
f. Farm Net Worth Last Year			Current Asset-to-Debt Ratio (a / b)	
g. Change in Farm Net Worth (e - f)			Total Debt-to-Asset Ratio (d / c)	
<b>Personal Assets</b>			<b>Personal Liabilities</b>	
Bank accounts, cash, savings			Credit card, charge accounts, other loans	
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	
<b>h. Total Personal Assets</b>			<b>i. Total Personal Liabilities</b>	
<b>j. Total Personal Net Worth (h - i)</b>				
<b>k. Total Net Worth, Market Value (e + j)</b>			Personal Debt-to-Asset Ratio (i / h)	

# Net Farm Income Statement

Name \_\_\_\_\_ Year \_\_\_\_\_

## Income

Cash Income		Income Adjustments	Ending	Beginning
Sales of livestock bought for resale		Crops held for sale or feed (Sched. A)		
Sales of raised livestock, grain, etc.		Market livestock (Sched. E)		
Cooperative distributions paid		Accounts receivable (Sched. G)		
Agricultural program payments		Unpaid co-op. distributions (Sched. H)		
Crop insurance proceeds		Breeding livestock (Sched. I)		
Custom hire income		Subtotal of Adjustments		
Other cash income		b. Net adjustment (ending - beginning)		
Sales of breeding livestock		c. Value of Home Used Production		
a. Total Cash Income		<b>d. Gross Farm Revenue (a + b + c)</b>		

## Expenses

Cash Expenses		Expense Adjustments	Beginning	Ending
Car and truck expenses		Investment in growing crops (Sched. B)		
Chemicals		Commercial feed on hand (Sched. C)		
Conservation expenses		Prepaid expenses (Sched. D)		
Custom hire		Supplies on hand (Sched. F)		
Employee benefits		f. Net adjustment (beginning - ending)		
Feed purchased			Ending	Beginning
Fertilizer and lime		Accounts payable (Sched. N)		
Freight, trucking		Farm taxes due (Sched. O)		
Gasoline, fuel, oil		Accrued interest (Sched. P, Q)		
Insurance		g. Net adjustment (ending - beginning)		
Interest paid		h. Depreciation (Sched. J, K)		
Labor hired		<b>i. Gross Farm Expenses (e + f + g + h)</b>		
Pension and profit-share plans				
Rent or lease payments		<b>j. Net Farm Income From Operations (d - i)</b>		
Repairs, maintenance				
Seeds, plants		k. Sales of Farm Capital Assets		
Storage, warehousing		l. Cost Value of Items Sold (Sched. J, K, L)		
Supplies purchased		m. Capital Gains or Losses (k - l)		
Taxes (farm)				
Utilities				
Vet. fees, medicine, breeding				
Other cash expenses				
Livestock purchased				
e. Total Cash Expenses		<b>n. Net Farm Income (j + m)</b>		

## Statement of Cash Flows

Name \_\_\_\_\_ Year \_\_\_\_\_

	Cash In	Cash Out
<b>Cash farm income and expenses (operating)</b>		
Total cash income (line a, net farm income statement)		xxx
Total cash expenses (line e, net farm income statement)	xxx	
<b>Capital assets (investing)</b>		
Sales of capital assets (line k, net farm income statement)		xxx
Cost of purchases and trades (sched. J, K, L)	xxx	
<b>Loans (financing)</b>		
New loans received		xxx
Principal paid on loans	xxx	
<b>Nonfarm (withdrawals)</b>		
Nonfarm income (wages, rents, interest, etc.)		xxx
Nonfarm expenditures (family living, income tax, retirement accts, etc.)	xxx	
<b>Cash on hand (farm cash, checking, savings)</b>		
Beginning of year (farm net worth statement)		xxx
End of year (farm net worth statement)	xxx	
<b>Total of cash in and cash out*</b>		

\*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
<b>a. Farm net worth, beginning of year</b>		
(Line e, beginning net worth statement)		
<b>b. Change in market value of capital assets (net of depreciation)</b>	xxx	
(Line g, ending net worth statement, market value _____ minus cost value _____)		
<b>c. Net farm income</b>		
(Line n, net farm income statement)	<i>same value for cost and market</i>	
<b>d. Net nonfarm withdrawals</b>		
nonfarm income (statement of cash flows) _____	<i>same value for cost and market</i>	
minus nonfarm expenditures (statement of cash flows) _____		
minus home used production (line c. net farm income statement) _____		
Sum of lines a, b, c, and d (should be approximately equal to line e)		
<b>e. Farm net worth, end of year</b>		
(Line e, ending net worth statement)		



**Schedule E. Market Livestock**

Description	Number	Average Weight (lbs.)	Total Weight (lbs.)	Price per Pound	Value
<b>Total</b>	xxx	xxx	xxx	xxx	

**Schedule F. Supplies on Hand**

Description	Quantity	Unit	Price	Value
<b>Total</b>	xxx	xxx	xxx	

**Schedule G. Accounts Receivable**

Description	Value

**Schedule H. Unpaid Cooperative Distributions**

Description	Value



**Schedule M. Securities and Certificates**

Description	Value	Description	Value
<b>Total</b>		<b>Total</b>	

**Schedule N. Accounts Payable**

**Schedule O. Farm Taxes Due**

Description	Value	Description	Value
<b>Total</b>		<b>Total</b>	

**Schedule P. Current Notes and Credit Lines**

Source and Purpose	Interest Rate	Date loan rcd. or last payment made	Balance Owed	Accrued Interest
<b>Total</b>	xxx	xxx		

**Schedule Q. Fixed Notes and Contracts**

Source and Purpose	Interest Rate	Date of Last Payment	Balance Owed	Principal due, next 12 mos.	Principal due beyond 12 mos.	Accrued Interest
<b>Total</b>	xxx	xxx				