

# Bringing Your Records to Life

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# Goals for Today

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- Why you need financial records
- Which records to keep – the “musts”
- Suggestions on keeping records

# Why Financial Records are Important

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- “You can’t manage what you can’t measure”
  - Life without average daily gains, crop yields, etc.
- Need to know your current situation
  - Cost of production & breakevens
  - Setting prices, making sales forecasts, planning cash flow
- Making long-term decisions
  - Expansion, adding/eliminating enterprises, transition planning



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# Why Financial Records are Important

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- Working with your lender, insurance agent, consultants
  - Understand what they're saying
  - Better information for them – that helps you!
- Transition and/or crisis management
  - Provides critical information (where are the keys or passwords?)
  - Farm Credit University “Farm Business Transition Workbook”
- Income tax management
  - Have a year-long plan, not just a year-end plan!



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# What Records to Keep – The Musts

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- Balance sheet
  - List of your assets and liabilities on a given day
  - “What you own and how you are paying for it”
- Annually or quarterly – be consistent!
- Liquidity, Solvency
- Debt Structure
- Borrowing capacity



# What Records to Keep – The Musts

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- Income Statement

- List of your revenues and expenses for the period
- “Schedule F”, “Profit & Loss” or “P&L”
- Cash vs accrual vs accrual-adjusted
  - Accrual adjustments are crucial!
  - Requires BOY balance sheets



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- Profitability, repayment ability, financial efficiency

# The Musts

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- Cash Flow Budgets
  - List of all cash coming into or leaving the business
  - Can include non-farm cash flows
    - Non-farm revenues & Family living expense
  - Loan payments, loan proceeds, income taxes
  - Operating line needs
  - Scheduling of payments
  - Capital purchases
  - Business planning for the year!



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# The Musts

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- Inventories
  - Accounts Receivable, Accounts Payable
  - Purchased feeds, supplies
  - Homegrown feeds
  - Livestock/crops held for sale
  
- Helps with accrual adjustments to income statement
- Helps with production planning



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# Tips for Keeping Records

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- Dedicate time for it!
- Make someone responsible for it
- Get help from accountant/bookkeeper
  - Set up your system properly
- Scan all paper copies
- Help your bookkeeper
  - Write notes on each receipt/invoice



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# Tips for Keeping Records

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- Enterprise accounting is VERY helpful
  - Cost of production
  - Breakeven analysis, sensitivity analysis
- Find a system that works for you
  - Handwritten ledgers
  - Quicken®, Quickbooks®, FarmPlan, etc.
    - Can provide your files to your accountant
  - Accountant or accounting service



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