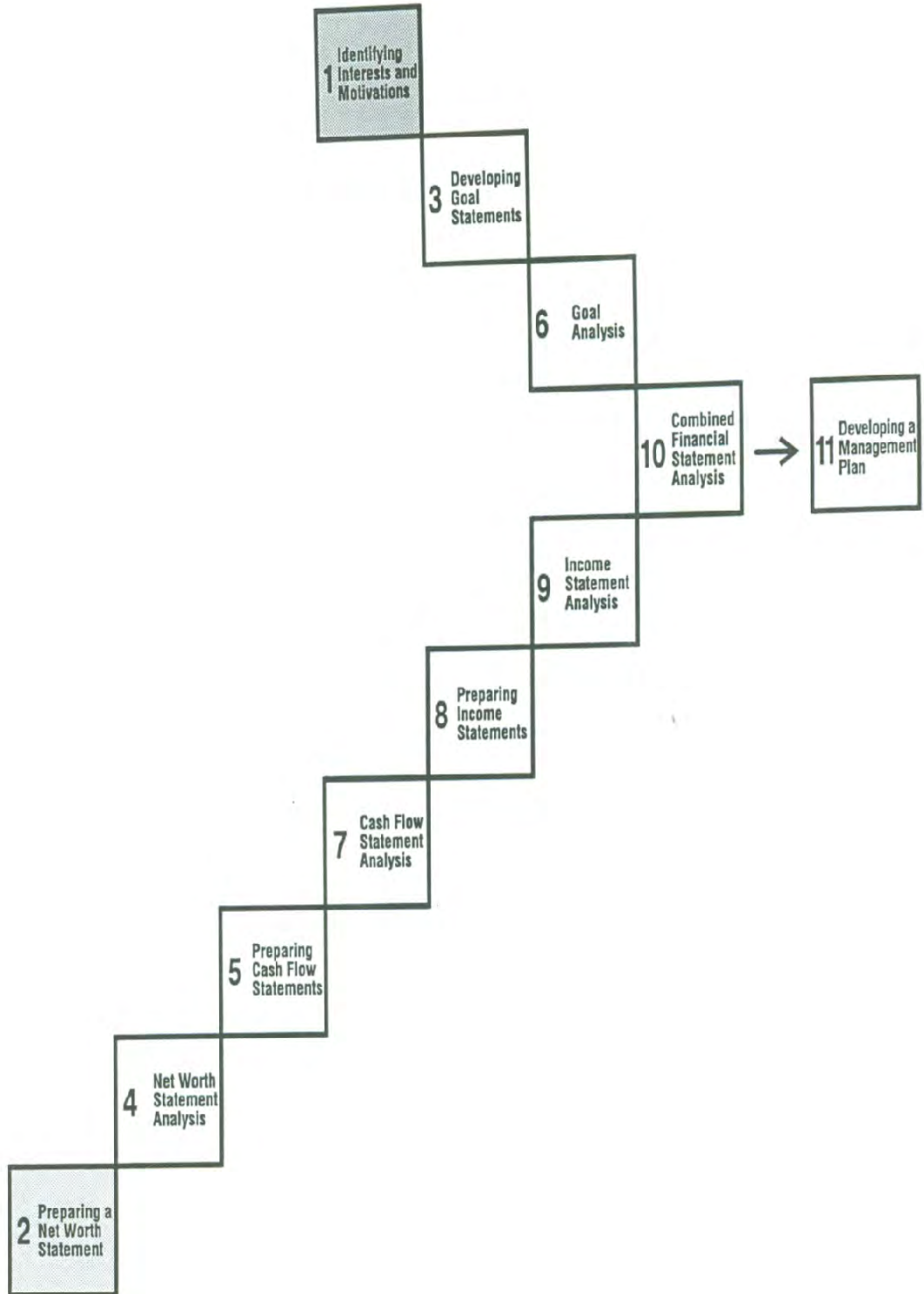




COMPREHENSIVE GUIDE TO FARM FINANCIAL MANAGEMENT

Module 2: Preparing a Net Worth Statement

Course Map



Preparing a Net Worth Statement

Introduction

The Net Worth Statement is one of the most common financial statements used in business today. It provides a “snap shot” view of the financial health of the business at a given point in time.

Maintaining accurate asset and liability listings is integral to Net Worth Statement development as you will see in this module.

Performance Objectives

Upon completing the material in this module you will be able to:

- define a Net Worth Statement;
- describe the structure of a Net Worth Statement;
- identify the three major components of a Net Worth Statement;
- differentiate between the three classes of assets and liabilities and state examples for each;
- value assets and liabilities in each classification; and
- prepare your Net Worth Statement.

The Net Worth Statement

A Net Worth Statement is one which lists **all the assets** of a business at **fair market value**, records **all the liabilities** of a business, and shows the net worth (owner's equity) at a **specific point in time** (the Net Worth Statement date).

Net Worth Statement

Name: Shady Bend Farm

Date: January 1, 20X1

ASSETS		LIABILITIES	
Current		Current	
Cash on Hand	\$1,750	Operating Loan	\$14,000
Seed and Feed Inventory	\$4,425	Cash Advances	\$9,500
Grain and Feed Inventory	\$26,325	Accounts Payable	\$3,750
Market Livestock Inventory	\$21,000	Intermediate Principal Due	\$3,000
Supplies Inventory	\$3,663	Long Term Principal Due	\$6,116
Notes and Accounts Receivable	\$10,000	Intermediate Accrued Interest	\$164
Personal and Other	\$1,975	Long Term Accrued Interest	\$3,617
Total Current Assets	\$69,138	Total Current Liabilities	\$40,147
Intermediate		Intermediate	
Breeding Stock	\$13,875	Breeding Stock Loans	_____
Machinery and Equipment	\$71,000	Machinery and Equipment Loans	\$6,000
Personal	\$15,000	Personal Loans	_____
Stocks and Bonds	\$2,500	Consolidation Loans	_____
Other	\$13,400	Other	_____
_____	_____	_____	_____
Total Intermediate Assets	\$115,775	Total Intermediate Liabilities	\$6,000
Fixed		Long Term	
Land	\$202,680	Building Loans	\$49,574
Buildings	\$124,500	Land Loans	\$99,706
RRSPs	_____	Consolidations Loans	_____
Co-operative Equity	\$2,261	Other	_____
Market Quota	_____	_____	_____
Personal	_____		
Non-Farm Real Estate	_____		
Total Fixed Assets	\$329,441	Total Long Term Liabilities	\$149,280
TOTAL ASSETS	\$514,354	TOTAL LIABILITIES	\$195,427
			NET WORTH
			\$318,927

Structure of the Net Worth Statement

The first area found in the Net Worth Statement is the **title** which indicates the name of the business or individual for whom it was prepared and the date on which it was prepared.

Net Worth Statement

Name: Shady Bend Farm **Date:** January 1, 20X1

Let's examine how the various classes of Net Worth Statement components are compiled in its structure.

Assets and Liabilities

The Net Worth Statement is divided vertically into two columns with assets and liabilities occupying the left and right columns respectively. Each of these two components is broken down into their three classifications - current, intermediate, and long term (or fixed for assets). A total is generated for each, both overall and by class. We'll use these totals later in our analysis of the Net Worth Statement.

ASSETS		LIABILITIES	
Current		Current	
Cash on Hand	\$1,750	Operating Loan	\$14,000
Seed and Feed Inventory	\$4,425	Cash Advances	\$9,500
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Intermediate		Intermediate	
Breeding Stock	\$13,875	Breeding Stock Loans	_____
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Stocks and Bonds	\$2,500	Consolidation Loans	_____
Other	\$13,400	Other	_____
_____	_____	_____	_____
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RRSPs	_____	Consolidations Loans	_____
Co-operative Equity	\$2,261	Other	_____
Market Quota	_____	_____	_____
Personal	_____		
Non-Farm Real Estate	_____		
Total Fixed Assets	\$329,441	Total Long Term Liabilities	\$149,280
TOTAL ASSETS	\$514,354	TOTAL LIABILITIES	\$195,427

Net Worth

The Net Worth component is located in the lower right hand corner of the Net Worth Statement immediately below the long term liabilities section.

Net Worth is calculated by subtracting Total Liabilities from Total Assets. Therefore, if Total Assets are \$514,354 and Total Liabilities are \$195,427, the resultant Net Worth for the operation would be:

$$\text{Total Assets} - \text{Total Liabilities} = \text{Net Worth} \\ \$514,354 - \$195,427 = \$318,927$$

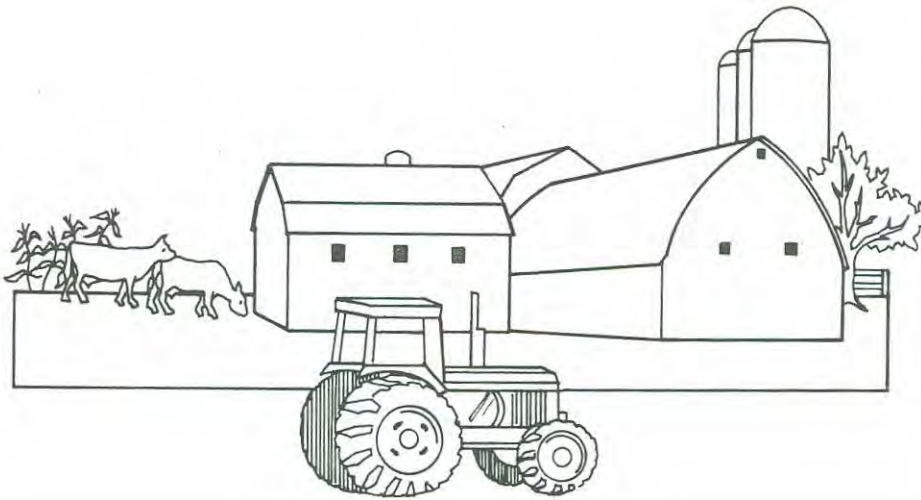
TOTAL ASSETS	\$514,354	TOTAL LIABILITIES	\$195,427	
			NET WORTH	\$318,927

Components of the Net Worth Statement

Assets

Assets are the owned resources of the farm business or a thing of value owed to the business. Included are such items as accounts receivable, grain and supplies on hand, breeding stock, machinery, land and buildings.

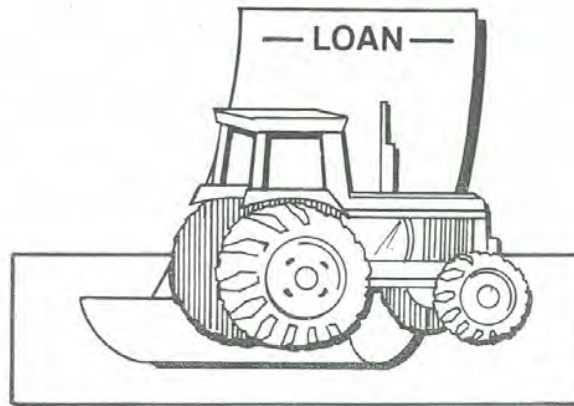
Rented and leased items are not owned by the business; therefore, they are not considered assets of the business.



Liabilities

Liabilities are amounts owed to others outside the farm business. They represent financial claims against the owned assets.

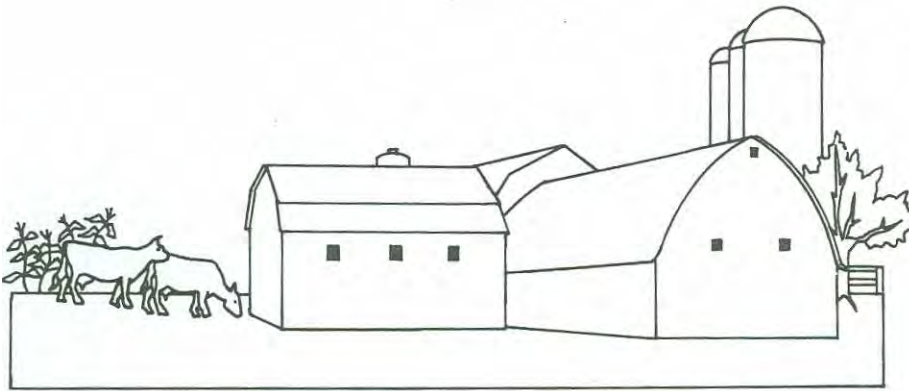
Liabilities result from borrowing money to buy business resources such as seed, livestock, supplies, equipment and land.



Net Worth

Net worth (or owner's equity) is the difference between the fair market value of the assets and the value of the liabilities. It is the amount of money that would be left if you sold all your assets and paid all your liabilities on a specific date. Net worth measures the amount of equity in the business.

$$\text{Net Worth} = \text{Assets} - \text{Liabilities}$$



Exercise 1

List some examples of assets and liabilities found on your farm. Compare your answers with those given on page 62.

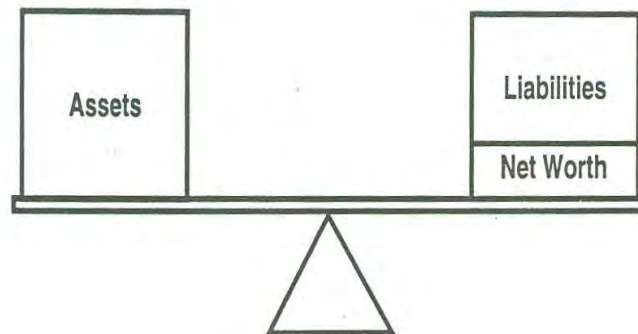
ASSETS	LIABILITIES
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.

The Accounting Equation

A business can only acquire assets through its equity or liabilities. For example, if you were to buy a new tractor, you may make a down payment with cash from savings (equity) and finance the balance of the purchase price with a loan (a liability). Therefore, it makes sense that the value of liabilities and equity added together must exactly equal the value of the assets of the business.

Therefore, the Net Worth Statement is based on this accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Net Worth}$$



This equation indicates that the assets of a business are financed by either creditors (through liabilities) or the owners of the business through their net worth (equity).

Assets, liabilities and net worth have been identified as the components of the Net Worth Statement. Let's look at how assets and liabilities are broken down into smaller categories that are used in Net Worth Statement preparation and analysis.

Asset Classification

Assets can be broken down into three classifications depending upon how they are utilized by the business - current assets, intermediate assets and fixed assets.

Current Assets

Current assets are the most liquid assets (cash or near cash items). They can be easily converted into cash without disrupting the business. They usually represent the production of the farm such as grain and market livestock inventory held for sale. Most current assets will be used up (fertilizer and chemicals) or converted into cash (grain and hay for sale) within one year of the Net Worth Statement date.

Current assets should be valued at fair market value.



Current Assets

The following items would normally be considered current assets for Net Worth Statement purposes:

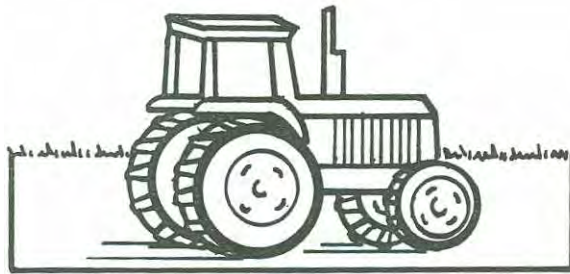
- cash on hand
- bank deposits
- accounts receivable
- product inventory
- feeder and market livestock
- cull breeding stock
- livestock products
- supplies inventory
- fall applied fertilizer and chemicals
- prepaid expenses
- marketable securities
- personal assets (cash surrender value of life insurance, etc.)
- cash investment in growing crops.

Intermediate Assets

Intermediate assets are working assets used to support farm production. Normally they have a useful life of between one and ten years. Since they represent a part of the productive plant of the business, sale of intermediate assets could drastically change the nature of the farm.

Intermediate assets should be valued at fair market value.

Intermediate assets may be subject to depreciation.



Intermediate Assets

The following items would normally be considered intermediate assets for Net Worth Statement purposes:

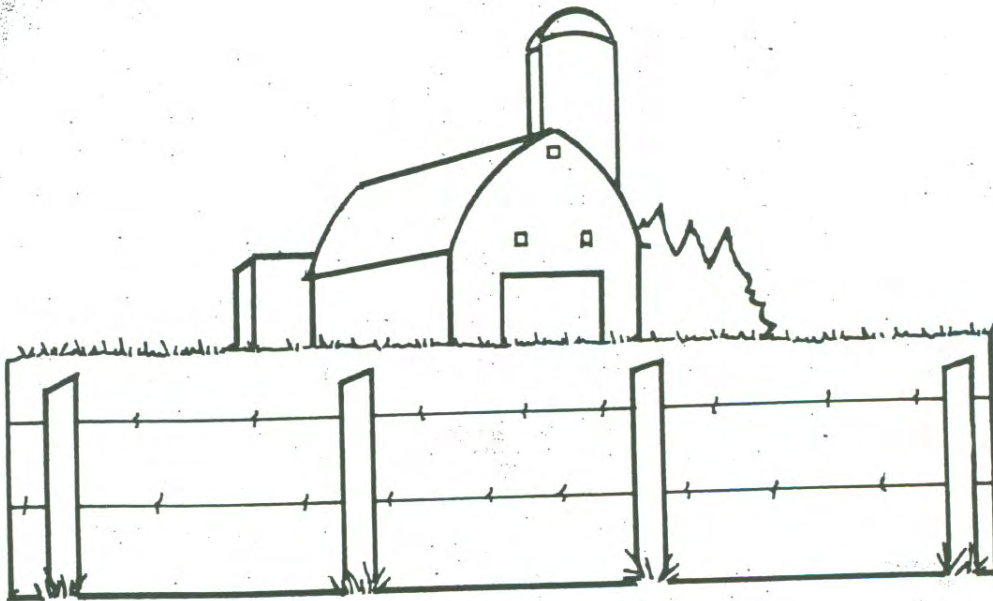
- machinery and equipment
- breeding stock
- perennial crops
- Government accounts
- stocks and bonds
- marketable securities
- personal vehicles
- recreational assets
- household goods and effects
- non-farm assets

Fixed Assets

Fixed assets are the most permanent production assets whose useful life generally exceeds ten years. They represent the best security in the business.

Like all assets, fixed assets are valued at fair market value for purposes of the Net Worth Statement.

Fixed assets may be subject to depreciation, as is the case with buildings, or appreciation, as may be the case with land.



Fixed Assets

The following items would normally be considered fixed assets for Net Worth Statement purposes:

- land
- buildings
- improvements (wells, dugouts, fences, etc.)
- co-operative equities
- market quotas
- RRSPs
- personal assets
- non-farm real estate

Exercise 2

The Blakes have developed a listing of all their assets. Determine the classification for each (current, intermediate or fixed) by checking (✓) the appropriate column.

Compare your answers with those given on page 63.

	Current	Intermediate	Fixed
CWB final payment	_____	_____	_____
Tractor	_____	_____	_____
CSV life insurance	_____	_____	_____
House	_____	_____	_____
Straw	_____	_____	_____
Bred Cows	_____	_____	_____
Twine on hand	_____	_____	_____
Fall applied chemical	_____	_____	_____
Yearling heifers	_____	_____	_____
Cull bull	_____	_____	_____
Co-op Equity	_____	_____	_____
Household furniture	_____	_____	_____
Bull	_____	_____	_____
Barley	_____	_____	_____
RRSP	_____	_____	_____
Seed Barley	_____	_____	_____
Front end loader	_____	_____	_____
Vitamins and minerals	_____	_____	_____
Car	_____	_____	_____
Canola	_____	_____	_____
Brome/alfalfa hay	_____	_____	_____
Cull heifers	_____	_____	_____
Steel grain bin	_____	_____	_____
Round baler	_____	_____	_____
Seed wheat	_____	_____	_____
Cull cows	_____	_____	_____
Half ton truck	_____	_____	_____
Slough hay	_____	_____	_____
Wheat	_____	_____	_____
Mix mill	_____	_____	_____
Government Account	_____	_____	_____

Liability Classification

Liabilities can also be broken down into three classifications depending upon the time frame of their claims against the farm resources - current liabilities, intermediate liabilities and long term liabilities.

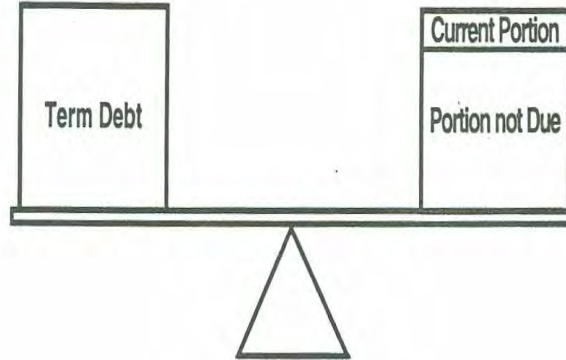
Current Liabilities

Current liabilities are debts that are due now or will come due within one year. Generally used to finance production, current liabilities indicate the claim on available cash and saleable production within the year.



Current Portion

The principal portion of term debt due in the coming year (the current portion) is part of current liabilities.



Consider a new term loan for a land purchase of \$100,000 over a twenty year period with equal principal payments each year. In each year of the loan, \$5,000 would be the current portion payable. The portion not due would be \$95,000. Here is how these amounts would be entered in the liabilities section of the Net Worth Statement.

LIABILITIES		
Current		
Operating Loan		_____
Cash Advances		_____
Accounts Payable		_____
Intermediate Principal Due		_____
Long Term Principal Due	\$5,000	_____
Intermediate Accrued Interest		_____
Long Term Accrued Interest		_____
Total Current Liabilities	\$5,000	
Intermediate		
Breeding Stock Loans		_____
Machinery and Equip. Loans		_____
Personal Loans		_____
Consolidation Loans		_____
Total Intermediate Liabilities		_____
Long Term		
Building Loans		_____
Land Loans	\$95,000	_____
Consolidation Loans		_____
Other		_____
Total Long Term Liabilities	\$95,000	
TOTAL LIABILITIES	\$100,000	

Current Portion

Portion not Due

Accrued Interest

Loan payments almost never fall due on the date the Net Worth Statement is prepared. Therefore, interest accrued on term loans from the date of the last loan payment to the date of the Net Worth Statement, needs to be included as part of current liabilities. This is a mathematical calculation using this formula:

$$\text{ACCRUED INTEREST} = \frac{\text{PRINCIPAL OUTSTANDING} \times \# \text{ OF DAYS SINCE LAST PAYMENT} \times \text{INTEREST RATE}}{365}$$

Consider the case of a machinery loan with annual principal payments of \$1,500 and at a fixed interest rate of 12%. The last loan payment was made on November 1, which left a loan balance of \$7,500. Interest accrued (rounded to the nearest dollar) to the Net Worth Statement date (January 1) would be:

$$\frac{\$7500 \times 61 \text{ DAYS} \times 12\%}{365} = \$150$$

Here is how these amounts are entered in the liabilities section.

LIABILITIES		
Current		
Operating Loan	_____	
Cash Advances	_____	
Accounts Payable	_____	
Intermediate Principal Due	\$1,500	
Long Term Principal Due	_____	
Intermediate Accrued Interest	\$150	
Long Term Accrued Interest	_____	
Total Current Liabilities	\$1,650	
Intermediate		
Breeding Stock Loans	_____	
Machinery and Equip. Loans	\$6,000	
Personal Loans	_____	
Consolidation Loans	_____	
Total Intermediate Liabilities	\$6,000	
Long Term		
Building Loans	_____	
Land Loans	_____	
Consolidation Loans	_____	
Other	_____	
Total Long Term Liabilities	_____	
TOTAL LIABILITIES	\$7,650	

Current Portion

Accrued Interest

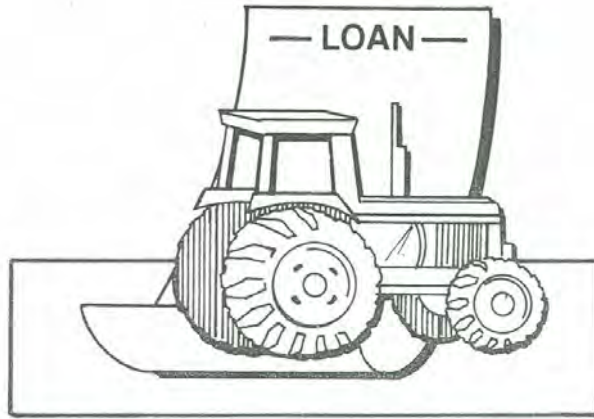
Current Liabilities

The following items normally would be considered current liabilities for Net Worth Statement development purposes:

- operating loans
- revolving lines of credit
- cash advances
- accounts payable (to suppliers, etc.)
- loan arrears
- accrued taxes
- accrued rent
- lease payments
- contract payments
- deferred taxes
- current portion of intermediate and long term principal due
- interest accrued on term loans

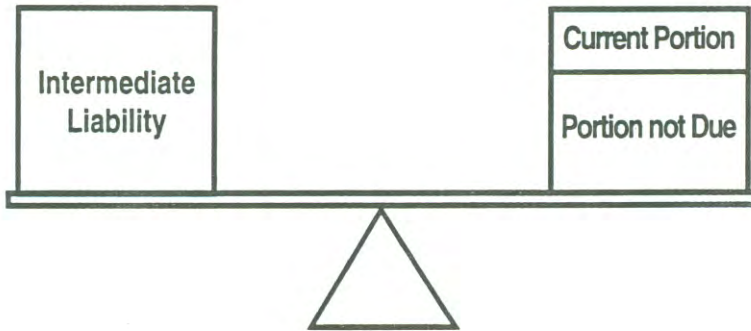
Intermediate Liabilities

Intermediate liabilities are those debts that have an original principal repayment schedule of between one and ten years. These loans are generally used to finance the purchase of intermediate assets but could also be a result of a consolidation of current liabilities (spreading repayment of current liabilities such as operating loans or accounts payable over a longer period of time to improve working capital).



Portion not Due

When preparing a Net Worth Statement, intermediate liabilities are broken down into two portions - the principal portion due in the current year (current portion) and the principal portion remaining (portion not due).



For example, a tractor loan with a present principal balance remaining of \$24,000 and annual principal payments of \$8,000 would be entered on the Net Worth Statement in the following manner:

LIABILITIES		
Current		
Operating Loan	_____	Current Portion
Cash Advances	_____	
Accounts Payable	_____	
Intermediate Principal Due	\$8,000	
Long Term Principal Due	_____	
Intermediate Accrued Interest	_____	
Long Term Accrued Interest	_____	
Total Current Liabilities	\$8,000	
Intermediate		
Breeding Stock Loans	_____	Portion not Due
Machinery and Equip. Loans	\$16,000	
Personal Loans	_____	
Consolidation Loans	_____	
Total Intermediate Liabilities	\$16,000	
Long Term		
Building Loans	_____	
Land Loans	_____	
Consolidation Loans	_____	
Other	_____	
Total Long Term Liabilities	_____	
TOTAL LIABILITIES	\$24,000	

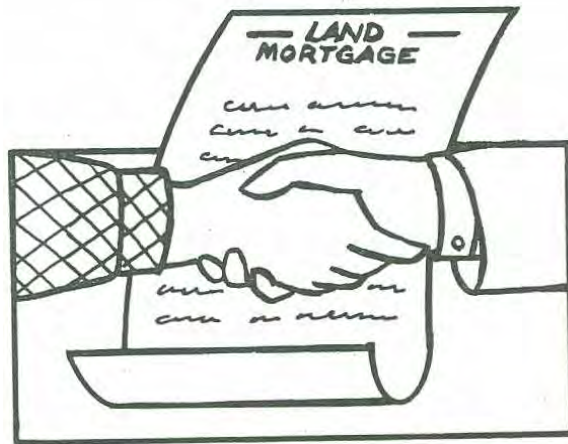
Intermediate Liabilities

The following items would normally be considered intermediate liabilities for Net Worth Statement development purposes:

- machinery and equipment loans
- breeding stock loans
- debt consolidation loans

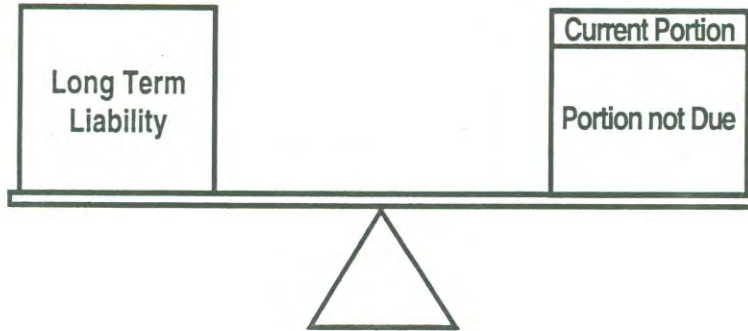
Long Term Liabilities

Long term liabilities are those debts that have an original principal repayment schedule of greater than ten years. These term debts are used most often for the purchase of fixed assets such as land and buildings but could also be the result of current debt consolidation.



Portion not Due

When preparing a Net Worth Statement, long term liabilities are broken down into two portions - the principal portion due in the current year (current portion) and the principal portion remaining (portion not due).



A new land loan for \$100,000 with annual principal payments of \$5,000, would be entered in the Net Worth Statement as follows:

LIABILITIES		
Current		
Operating Loan	_____	Current Portion
Cash Advances	_____	
Accounts Payable	_____	
Intermediate Principal Due	_____	
Long Term Principal Due	\$5,000	
Intermediate Accrued Interest	_____	
Long Term Accrued Interest	_____	
Total Current Liabilities	\$5,000	
Intermediate		
Breeding Stock Loans	_____	Portion not Due
Machinery and Equip. Loans	_____	
Personal Loans	_____	
Consolidation Loans	_____	
Total Intermediate Liabilities	_____	
Long Term		
Building Loans	_____	Portion not Due
Land Loans	\$95,000	
Consolidation Loans	_____	
Other	_____	
Total Long Term Liabilities	\$95,000	
TOTAL LIABILITIES	\$100,000	

Long Term Liabilities

The following items would normally be considered long term liabilities for Net Worth Statement development purposes:

- land loans
- building loans
- debt consolidation loans
- agreements for sale
- loans for improvements (wells, dugouts, etc.)

Exercise 3

The Blakes have developed the following liability listing. Indicate the liability classification for each.

Compare your answers with those given on page 64.

	Current	Intermediate	Fixed
Principal due on breeding stock loan	_____	_____	_____
Accrued interest on breeding stock loan	_____	_____	_____
Tractor Loan	_____	_____	_____
Operating Loan	_____	_____	_____
Payment on land Agreement for Sale	_____	_____	_____
CWB cash advance	_____	_____	_____
Breeding stock loan	_____	_____	_____
Accrued interest on tractor loan	_____	_____	_____
Land lease payment	_____	_____	_____
Principal due on tractor loan	_____	_____	_____
Agreement for Sale on land	_____	_____	_____

Exercise 4

Calculate the accrued interest and the current portion payable for the following loans. Enter this information in the appropriate section of the Net Worth Statement created on January 1.

Compare your answers with those given on page 65.

1. Round Baler - original loan term was five years
 - principal outstanding is \$5,500
 - payments are \$750 semi-annually plus interest
 - payment dates are March 1 and September 1
 - interest rate is 7.9% for the life of the loan

2. Dairy Barn - original loan term was 29 years
 - principal outstanding is \$289,000
 - payments are \$5,000 quarterly plus interest at 13.5%
 - payment dates are February 1, May 1, August 1, and November 1

LIABILITIES	
Current	
Operating Loan	_____
Cash Advances	_____
Accounts Payable	_____
Intermediate Principal Due	_____
Long Term Principal Due	_____
Intermediate Accrued Interest	_____
Long Term Accrued Interest	_____
Total Current Liabilities	_____
Intermediate	
Breeding Stock Loans	_____
Machinery and Equipment Loans	_____
Personal Loans	_____
Consolidation Loans	_____
Total Intermediate Liabilities	_____
Long Term	
Building Loans	_____
Land Loans	_____
Consolidation Loans	_____
Other	_____
Total Long Term Liabilities	_____
TOTAL LIABILITIES	_____

Preparation of the Net Worth Statement

Although you can prepare a Net Worth Statement at any time throughout the year, it is advisable to prepare at least one Net Worth Statement on the same date each year (preferably January 1). This gives the manager a better basis for business analysis as we'll see in the next module.

Preparing a Net Worth Statement is straightforward once you have complete and accurate listings of **all** your assets and liabilities and values for each. It is developing the listings and determining the values that present the challenge.

Developing and maintaining asset and liability listings is integral to Net Worth Statement preparation. These listings also provide information as to the type, quality, quantity and value of the resources available to the business and of the claims of liabilities on those resources. A record of product and supply inventory is also essential for the preparation of the Accrued Income Statement as we will see in a future module.

Valuation of items in the listings can be a stumbling block - especially the valuation of assets. Current assets are usually the easiest to value given that they are cash or near cash items. Once quantity is determined, total value of any current asset is a matter of multiplying quantity by current market price. Intermediate and long term assets often require research into comparable sales to determine values.

Use caution when valuing your assets - use fair market value. Abnormally high or low asset valuation will distort net worth significantly and therefore reduce the effectiveness of the Net Worth Statement as a decision making tool.

Amounts outstanding on current, intermediate and long term liabilities can be accurately determined at any given time by doing some research. Lending institutions usually provide loan statements on a regular basis which offer pertinent information (you are interested in principal outstanding and principal and interest payments due this year) on your loan statement date. If you are unsure of loan balances, check with your lender. They have ready access to information on your loan and can provide assistance in developing that portion of your liability listing.

Don't forget - if a loan payment is not due on the date you are creating or updating your listing, accrued interest will need to be calculated using the following formula:

$$\text{ACCRUED INTEREST} = \frac{\text{PRINCIPAL OUTSTANDING} \times \# \text{ OF DAYS SINCE LAST PAYMENT} \times \text{INTEREST RATE}}{365}$$

Remember - your asset and liability inventory listings must correspond to the date of Net Worth Statement creation. Therefore, it is best to update them yearly on the same day as you create your Net Worth Statement (preferably January 1).

Asset Inventory Listing Categories

Follow through an example for the Shady Bend Farm as it is illustrated how the asset inventory listing is broken down into the following categories:

Cash on Hand

- list a total for all cash available to you
 - savings accounts, chequing accounts, etc.

Cash on Hand	\$1,750
---------------------	----------------

Note - enter in **Cash on Hand** in Current Assets section.

Notes and Accounts Receivable Inventory

- money owing to you for goods and services
 - crop insurance, government payments, CWB payment, deferred grain, etc.
- list a brief description of the nature of the receivable, who owes it to you, the form of security (if any), and the rate of interest (if any)
- list the expected date of receipt
- list total value

Notes and Accounts Receivable

DESCRIPTION (by whom owed, security, interest charged, etc.)	EXPECTED DATE OF RECEIPT	TOTAL VALUE
<i>Jack Smith – custom combining</i>	April	\$1,500
<i>CWB final payment</i>	January	\$3,000
<i>Government payment</i>	March	\$5,500
	TOTAL	\$10,000

Note - enter **TOTAL** in **Notes and Accounts Receivable**
in Current Assets section

Supplies Inventory

- items used in crop or livestock production
 - fuel, fertilizer, chemicals, feed supplements, etc.
- list quantity, unit value and total value

Supplies Inventory

DESCRIPTION (fuel, fertilizer, chemicals, minerals, etc.)	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Diesel fuel</i>	<i>2000 l</i>	<i>\$.40/litre</i>	<i>\$800</i>
<i>Fall applied chemical</i>	<i>46 bags</i>	<i>\$52.50/b</i>	<i>\$2,415</i>
<i>Hog supplement</i>	<i>2 tonnes</i>	<i>\$224/ton</i>	<i>\$448</i>
		TOTAL	\$3,663

Note – enter **TOTAL in Supplies Inventory**
in Current Assets section

Grain and Feed Inventory

- that which is produced or purchased by the farm and is available for sale or can be consumed on the farm
 - seed grain, saleable grain, hay, straw, feed grain, etc.
- can be divided into two parts
 - seed and feed inventory for farm use
 - grain and feed for sale
- list description, quality (grade), unit price and total value

Seed and Feed Inventory for Farm Use

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Seed wheat – 1CWRS</i>	<i>525 bu.</i>	<i>\$5.00/bu.</i>	<i>\$2,625</i>
<i>Feed barley – 1CW</i>	<i>900 bu.</i>	<i>\$2.00/bu.</i>	<i>\$1,800</i>
TOTAL			\$4,425

Note – enter TOTAL in Seed and Feed Inventory
in Current Assets section

Grain and Feed Inventory for Sale

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Wheat – 1CWRS 13.5</i>	<i>7500 bu.</i>	<i>\$3.25/bu.</i>	<i>\$24,375</i>
<i>Brome-alfalfa hay – round bales</i>	<i>65 bales</i>	<i>\$30/bale</i>	<i>\$1,950</i>
TOTAL			\$26,325

Note – enter TOTAL in Grain and Feed Inventory
in Current Assets section

Market Livestock Inventory

- list all market livestock on hand at the time of inventory by type
 - calves, market hogs, steers, cull cows, etc.
- list quantity, present weight, unit value and total value for each

Market Livestock Inventory

DESCRIPTION	QUANTITY	PRESENT WEIGHT	UNIT VALUE	TOTAL VALUE
<i>Feeder Pigs</i>	<i>300</i>	<i>75 lbs.</i>	<i>\$70/pig</i>	<i>\$21,000</i>
TOTAL				\$21,000

Note – enter **TOTAL in Market Livestock Inventory** in Current Assets section

Breeding Livestock Inventory

- list all breeding livestock on hand at the time of inventory by type
 - bred cows, bulls, replacement heifers, sows, boars, gilts, etc.
- list quantity, unit value and total value for each

Breeding Livestock Inventory

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Bred sows</i>	75	\$150/sow	\$11,250
<i>Bred gilts</i>	15	\$135/gilt	\$2,025
<i>Boars</i>	2	\$300/boar	\$600
		TOTAL	\$13,875

Note – enter **TOTAL in Breeding Livestock Inventory** in Intermediate Assets section

Machinery and Equipment Inventory

- list all machinery and equipment owned and used in farm production
- give a description of make and model eg. John Deere 4440
- list year manufactured, year purchased (by you), purchase price and present value (use comparison from sales or machinery dealer listings)

Machinery and Equipment Inventory

DESCRIPTION (make, model, size, etc.)	YEAR BUILT	YEAR PURCHASED	PURCHASE PRICE	PRESENT VALUE
<i>John Deere 4440 tractor</i>	<i>20X2</i>	<i>20X2</i>	<i>\$60,000</i>	<i>\$35,000</i>
<i>John Deere 7701 combine</i>	<i>20X0</i>	<i>20X5</i>	<i>\$27,000</i>	<i>\$20,000</i>
<i>Flexi-Coil 600 cultivator – 30'</i>	<i>20X5</i>	<i>20X5</i>	<i>\$10,500</i>	<i>\$6,500</i>
<i>GMC 6000 grain truck</i>	<i>20X4</i>	<i>20X7</i>	<i>\$12,000</i>	<i>\$9,500</i>
			TOTAL	\$71,000

Note – enter **TOTAL** in Machinery and Equipment in Intermediate Assets section

Owned Land Inventory

- list all land owned by the farm
- list legal description
 - quarter, section, township, range, meridian, R.M. number
- list assessment, year purchased, purchase price, total acres, cultivated acres and present value (use comparable sales or a multiple of assessment)
- exclude any value attributed to buildings or improvements on the land

Owned Land Inventory

LEGAL DESCRIPTION	ASSESS.	YEAR PURCHASED	PURCHASE PRICE	TOTAL ACRES	CULT. ACRES	PRESENT VALUE
<i>NW1-2-3 W4 RM 567</i>	<i>4320</i>	<i>20X0</i>	<i>\$85,000</i>	<i>159</i>	<i>140</i>	<i>\$51,840</i>
<i>SW1-2-3 W4 RM 567</i>	<i>4560</i>	<i>20X0</i>	<i>\$90,000</i>	<i>160</i>	<i>155</i>	<i>\$54,720</i>
<i>NE1-2-3 W4 RM 567</i>	<i>3900</i>	<i>20X5</i>	<i>\$40,000</i>	<i>158</i>	<i>130</i>	<i>\$46,800</i>
<i>SE1-2-3 W4 RM 567</i>	<i>4110</i>	<i>20X5</i>	<i>\$40,000</i>	<i>156</i>	<i>145</i>	<i>\$49,320</i>
TOTAL				633	570	\$202,680

Note – enter TOTAL Present Value in Land
in Fixed Assets section

Rented Land Inventory

- owned by others therefore not a component of your Net Worth Statement
- additional land resources available to you, therefore it is useful when applying for credit and making cropping plans
- list legal description
 - quarter, section, township, range, meridian, R.M. number
- list landlord's name, assessment, year acquired, terms (crop share or cash rent), total acres and cultivated acres

Rented Land Inventory

LEGAL DESCRIPTION	OWNER	ASSESS.	YEAR ACQ.	CROP SHARE	CASH RENT	TOTAL ACRES	CULT. ACRES
<i>SE5-15-2 W4 RM 567</i>	<i>B. Sim</i>	<i>5120</i>	<i>20X8</i>		<i>\$3,000</i>	<i>158</i>	<i>155</i>
<i>NE7-15-2 W4 RM 567</i>	<i>A. Hay</i>	<i>4440</i>	<i>20X2</i>	<i>1/3-2/3</i>		<i>159</i>	<i>150</i>
TOTAL					\$3,000	317	305

Buildings and Improvements Inventory

- list a description of the building or improvement (shop, fences, corrals, etc.) including dimensions or capacity and type of construction (wood frame, concrete block, steel), legal description, year built, year acquired, purchase price and present value (what they would be worth in terms of what they would add to the value of the land on which they are situated)

Buildings and Improvements Inventory

DESCRIPTION (size, type of construction, etc.)	LEGAL DESCRIPTION OF LOCATION	YEAR BUILT	YEAR ACQ.	PURCHASE PRICE	PRESENT VALUE
<i>House 24 x 36 w/garage</i>	<i>NWI-2-3 W4</i>	<i>20X5</i>	<i>20X5</i>	<i>\$46,500</i>	<i>\$45,000</i>
<i>Hog Barn 50 x 80 (wood)</i>	<i>NW1-2-3 W4</i>	<i>20X6</i>	<i>20X6</i>	<i>\$85,000</i>	<i>\$72,500</i>
<i>3300 bu. steel bins on wood</i>	<i>NW1-2-3 W4</i>	<i>20X8</i>	<i>20X8</i>	<i>\$7,700</i>	<i>\$5,500</i>
<i>Shop 28 x 36 (wood)</i>	<i>NWJ-2-3 W4</i>	<i>20X1</i>	<i>20X2</i>	<i>\$3,500</i>	<i>\$1,500</i>
TOTAL					\$124,500

Note – enter TOTAL in Buildings
in Fixed Assets section

Personal and Other Assets Inventory

- break down into current, intermediate or long term
- list term deposits
- list cash surrender value of life insurance
 - check with agent
- list value of RRSPs and pensions
 - check with agent or broker
- list stocks and bonds
 - check the value with your broker
- list non-farm assets
 - investments, real estate, etc.
 - check value with broker, banker or use comparable sales

enter total in
Personal and Other
in Current Assets section

enter in
Stocks and Bonds
in Intermediate Assets section

Personal and Other Assets Inventory

DESCRIPTION	VALUE		
	Current	Intermediate	Long Term
Term Deposits	\$1,500		
Cash Surrender Value of Life Insurance	\$475		
RRSPs and Pensions			
Stocks and Bonds		\$2,500	
Non-farm Investments and Real Estate			
Household Items and Furniture		\$15,000	
Recreational Assets		\$900	
Non-farm Automobiles		\$12,500	
Co-operative Equity			\$2,261
Market Quota			

Personal and Other Assets Inventory ...continued

- list household items and furniture
 - check with insurance agent for valuation guidelines

- list recreational assets
 - boat, travel trailer, etc.
 - use comparison of sales or check with your dealer for value

- list non-farm automobiles
 - car, van, etc.
 - use comparable sales or dealer listings

- list co-operative equity
 - local co-op, others
 - check your annual statement for value

- list market quota
 - milk, cream, egg or broiler
 - use market comparisons

Personal and Other Assets Inventory

DESCRIPTION	VALUE		
	Current	Intermediate	Long Term
Term Deposits	\$1,500		
Cash Surrender Value of Life Insurance	\$475		
RRSPs and Pensions			
Stocks and Bonds		\$2,500	
Non-farm Investments and Real Estate			
Household Items and Furniture		\$15,000	
Recreational Assets		\$900	
Non-farm Automobiles		\$12,500	
Co-operative Equity			\$2,261
Market Quota			

enter in
Personal
in Intermediate Assets section

enter total in
Other
in Intermediate Assets section

enter in
Co-operative Equity
in Fixed Assets section

Liability Listing Categories

Let's see how the liability inventory listing for the Shady Bend Farm is broken into various categories:

Current Liabilities

- those that are due during the projected year

Operating Loan

- list creditor (bank, credit union), date of origin, approved amount (the maximum approved by the lender when credit was granted), interest rate (usually an amount above the prime interest rate), collateral (security granted by you) and balance outstanding

Current Liabilities - Operating Loan

CREDITOR	DATE OF ORIGIN	APPROVED AMOUNT	INT. RATE	COLLATERAL	PRESENT BALANCE
Agro Bank	Jan. 20X1	\$25,000	12.5%	Sec. 178	\$14,000
TOTAL					\$14,000

Note – enter **TOTAL in Operating Loan** in Current Liabilities section

Accounts Payable

- all other debt that is current and due to be paid
 - list creditor and purpose of loan, date of origin, interest rate, original amount, balance outstanding (both principal and interest), annual payment amount (interest, principal and total) and individual payment amounts and dates

Current Liabilities - Accounts Payable

CREDITOR/PURPOSE	DATE OF ORIGIN	INT. RATE	ORIGINAL AMOUNT	PRESENT BALANCE	ANNUAL PAYMENT			INDIVIDUAL PAYMENTS	
					PRIN.	INT.	TOTAL		
Cash rent				\$3,000	\$3,000	0	\$3,000*	\$3,000	Apr. 1
Fuelex – diesel	Dec. 9		\$750	\$750	\$750	0	\$750*	\$750	Jan. 5
CWB Advance	Sept. 1	0%	\$21,000	\$9,500	\$9,500	0	\$9,500**	\$9,500	
Total				\$13,250	\$13,250	0	\$13,250		

*Enter total in **Accounts Payable** in the Current Liabilities section

Enter in **Cash Advances in Current Liabilities section

Accrued Interest

- calculate interest accrued to the date of the Net Worth Statement using the following formula:

ACCRUED INTEREST =

PRINCIPAL OUTSTANDING X # OF DAYS SINCE LAST PAYMENT X INTEREST RATE
365

Current Liabilities - Accrued Interest

CREDITOR/PURPOSE	PRINCIPAL OUTSTANDING	DATE OF LAST PAYMENT	# OF DAYS SINCE LAST PAYMENT	INT. RATE	ACCRUED INTEREST
J. D. Finance – baler	\$9,000	Sept. 1	121	5.5%	\$164*
Hog barn	\$52,764	Nov. 1	61	12%	\$1,058**
Land	\$102,632	Oct. 1	91	10%	\$2,559**

*enter in **Intermediate Accrued Interest** in Current Liabilities section

enter total in **Long Term Accrued Interest in Current Liabilities section

Intermediate Liabilities

- debts that were set up to be paid over a one to ten year term
- list the creditor, loan description (tractor, consolidation, etc.), date of origin, interest rate, original amount borrowed, principal outstanding, annual payment amount (interest, principal and total), individual payment amount and repayment dates

Intermediate Liabilities

CREDITOR/ PURPOSE	DATE OF ORIGIN	INT. RATE	ORIGINAL AMOUNT	PRESENT BALANCE	ANNUAL PAYMENT			INDIVIDUAL PAYMENTS Amount	Date
					Prin.	Int.	Total		
J.D. Finance– baler	20X8	5.5%	\$15,000	\$9,000*	\$3,000	\$495	\$3,495	\$3,495	Sept. 1
Total				\$9,000	\$3,000**	\$495	\$3,495		

*subtract current portion of principal due and enter in **Machinery and Equipment Loans** in Intermediate Liabilities section

enter in **Intermediate Principal Due in Current Liabilities section

Long Term Liabilities

- debts that were set up to be paid over a term longer than ten years
- listing development is identical to the intermediate liability listing

Long Term Liabilities

CREDITOR/ PURPOSE	DATE OF ORIGIN	INT. RATE	ORIGINAL AMOUNT	PRESENT BALANCE	ANNUAL PAYMENT			INDIVIDUAL PAYMENTS	
					Prin.	Int.	Total	Amount	Date
Hog Barn	20X6	12%	\$65,000	\$52,764*	\$3,190	\$6,254	\$9,444	\$4,722	May/ Nov.
Land	20X0	10%	\$120,000	\$102,632**	\$2,926	\$10,220	\$13,146	\$6,573	Apr./ Oct.
Total				\$155,396	\$6,116***	\$16,474	\$22,590		

*subtract current portion of principal due and enter in **Building Loans** in Long Term Liabilities section

subtract current portion of principal due and enter in **Land Loans in Long Term Liabilities section

***enter in **Long Term Principal Due** in Current Liabilities section

Net Worth Determination

The Net Worth Statement is developed by transferring the figures and totals from the asset and liability listings to the proper areas of the Net Worth Statement. Once all values are entered, totals are generated for each classification and then a value for total assets and total liabilities. Net Worth is calculated by subtracting total liabilities from total assets.

Here is the Net Worth Statement prepared for the Shady Bend Farm based on its asset and liability listings.

Net Worth Statement

Name: Shady Bend Farm Date: January 1, 20X1

ASSETS		LIABILITIES	
Current		Current	
Cash on Hand	\$1,750	Operating Loan	\$14,000
Seed and Feed Inventory	\$4,425	Cash Advances	\$9,500
Grain and Feed Inventory	\$26,325	Accounts Payable	\$3,750
Market Livestock Inventory	\$21,000	Intermediate Principal Due	\$3,000
Supplies Inventory	\$3,663	Long Term Principal Due	\$6,116
Notes and Accounts Receivable	\$10,000	Intermediate Accrued Interest	\$164
Personal and Other	\$1,975	Long Term Accrued Interest	\$3,617
Total Current Assets	\$69,138	Total Current Liabilities	\$40,147
Intermediate		Intermediate	
Breeding Stock	\$13,875	Breeding Stock Loans	_____
Machinery and Equipment	\$71,000	Machinery and Equipment Loans	\$6,000
Personal	\$15,000	Personal Loans	_____
Stocks and Bonds	\$2,500	Consolidation Loans	_____
Other	\$13,400	Other	_____
_____	_____	_____	_____
Total Intermediate Assets	\$115,775	Total Intermediate Liabilities	\$6,000
Fixed		Long Term	
Land	\$202,680	Building Loans	\$49,574
Buildings	\$124,500	Land Loans	\$99,706
RRSPs	_____	Consolidations Loans	_____
Co-operative Equity	\$2,261	Other	_____
Market Quota	_____	_____	_____
Personal	_____	_____	_____
Non-Farm Real Estate	_____	_____	_____
Total Fixed Assets	\$329,441	Total Long Term Liabilities	\$149,280
TOTAL ASSETS	\$514,354	TOTAL LIABILITIES	\$195,427
		NET WORTH	\$318,927

Exercise 5

Develop a Net Worth Statement for the Blakes given the following information about their operation on January 1, 20X1.

Compare your answers with those given on pages 66 to 73.

Cash on hand	\$1,585
Land Rental payment	\$1,600
Co-op equity	\$592
CWB final payment due (estimate)	\$1,427
CWB Cash Advance (interest @ 0%)	\$5,100
Vitamins and minerals on hand	\$100
Payment on agreement for sale	\$5,000
Car	\$10,000
Yearling Heifers (7 @ \$850)	\$5,950
Brome-alfalfa hay on hand (59 bales @ \$30)	\$1,770
½ ton	\$2,000
RRSP	\$4,600
Current portion of principal due on tractor loan	\$3,000
Seed Wheat (180 bushels @ \$4.25)	\$765
Wheat (2000 bushels 1 C.W. 13.5 @ \$3.45)	\$6,900
Government payment due (estimate)	\$6,720
Feed barley (1400 bushels @ \$1.75)	\$2,450
Cull bulls (1 @ \$1,500)	\$1,500
Household furniture and appliances	\$10,300
Cull cows (7 @ \$700)	\$4,900
Tractor	\$19,000
Round Baler	\$6,000
Bred cows (50 @ \$1,100)	\$55,000
Straw on hand (31 bales @ \$10)	\$310
Mix mill	\$1,400
Land owned (NW 14-35-3)	\$53,280
Seed barley (120 bushels @ \$2.00)	\$240
Current portion of principal due on breeding stock loan	\$3,511
1650 bushel steel bin	\$2,000
Operating loan at Bank of Sask.	\$20,000
Canola (1800 bushels 1 C.R. @ \$5.75)	\$10,350
Fall applied chemical	\$1,100
Tractor loan (interest @ 14%, last payment Dec. 1)	\$15,000
Twine on hand (2 bales @ \$30)	\$60
Cull heifers (1 @ \$1,050)	\$1,050
Breeding stock loan (interest @ 12%, last payment Nov. 1)	\$28,623
Cash surrender value of life insurance	\$237
Bulls (1 @ \$2,400)	\$2,400
Front end loader	\$4,800
House and lot in town	\$25,000
Slough hay on hand (72 bales @ \$22)	\$1,584
Government Deposit account	\$2,780
Land agreement for sale (interest @ 5%, last payment Oct. 1)	\$35,000

Exercise 5 ...continued

**John and Diane Blake
Asset Inventory Listing**

Cash on Hand	
---------------------	--

Notes and Accounts Receivable

DESCRIPTION (owed by whom, security, interest charged, etc.)	TOTAL VALUE
TOTAL	

Supplies Inventory

DESCRIPTION (fuel, fertilizer, chemicals, minerals, etc.)	QUANTITY	UNIT VALUE	TOTAL VALUE
TOTAL			

Exercise 5 ...continued

**John and Diane Blake
Asset Inventory Listing**

Machinery and Equipment Inventory

DESCRIPTION (make, model, size, etc.)	PRESENT VALUE
TOTAL	

Owned Land Inventory

LEGAL DESCRIPTION	PRESENT VALUE
TOTAL	

Exercise 5 ...continued

**John and Diane Blake
Asset Inventory Listing**

Buildings and Improvements Inventory

DESCRIPTION (size, type of construction, etc.)	LEGAL DESCRIPTION OF LOCATION	YEAR BUILT	YEAR ACQUIRED	PURCHASE PRICE	PRESENT VALUE
TOTAL					

Personal and Other Assets Inventory

DESCRIPTION	VALUE		
	Current	Intermediate	Long Term
Term Deposits			
Cash Surrender Value of Life Insurance			
RRSPs			
Pensions			
Stocks and Bonds			
Non-farm Investments			
Non-farm Real Estate			
Household Items and Furniture			
Recreational Assets			
Non-farm Automobiles			
Co-operative Equity			
Market Quota			
Other			

Exercise 5 ...continued

**John and Diane Blake
Asset Inventory Listing**

Current Liabilities - Operating Loan

CREDITOR	PRESENT BALANCE
TOTAL	

Current Liabilities - Accounts Payable

CREDITOR/PURPOSE	PRESENT BALANCE	ANNUAL PAYMENT		
		Principal	Interest	Total
TOTAL				

Current Liabilities - Accrued Interest

CREDITOR/PURPOSE	PRINCIPAL OUTSTANDING	DATE OF LAST PAYMENT	# OF DAYS SINCE LAST PAYMENT	INT. RATE	ACCRUED INTEREST

Exercise 5 ...continued

Net Worth Statement

Name: _____ **Date:** _____

ASSETS		LIABILITIES	
Current		Current	
Cash on Hand	_____	Operating Loan	_____
Seed and Feed Inventory	_____	Cash Advances	_____
Grain and Feed Inventory	_____	Accounts Payable	_____
Market Livestock Inventory	_____	Intermediate Principal Due	_____
Supplies Inventory	_____	Long Term Principal Due	_____
Notes and Accounts Receivable	_____	Intermediate Accrued Interest	_____
Personal and Other	_____	Long Term Accrued Interest	_____
Total Current Assets	_____	Total Current Liabilities	_____
Intermediate		Intermediate	
Breeding Stock	_____	Breeding Stock Loans	_____
Machinery and Equipment	_____	Machinery and Equipment Loans	_____
Personal	_____	Personal Loans	_____
Stocks and Bonds	_____	Consolidation Loans	_____
Other	_____	Other	_____
_____	_____	_____	_____
Total Intermediate Assets	_____	Total Intermediate Liabilities	_____
Fixed		Long Term	
Land	_____	Building Loans	_____
Buildings	_____	Land Loans	_____
RRSPs	_____	Consolidations Loans	_____
Co-operative Equity	_____	Other	_____
Market Quota	_____	_____	_____
Personal	_____		
Non-Farm Real Estate	_____		
Total Fixed Assets	_____	Total Long Term Liabilities	_____
TOTAL ASSETS	_____	TOTAL LIABILITIES	_____
		NET WORTH _____	

Exercise 6

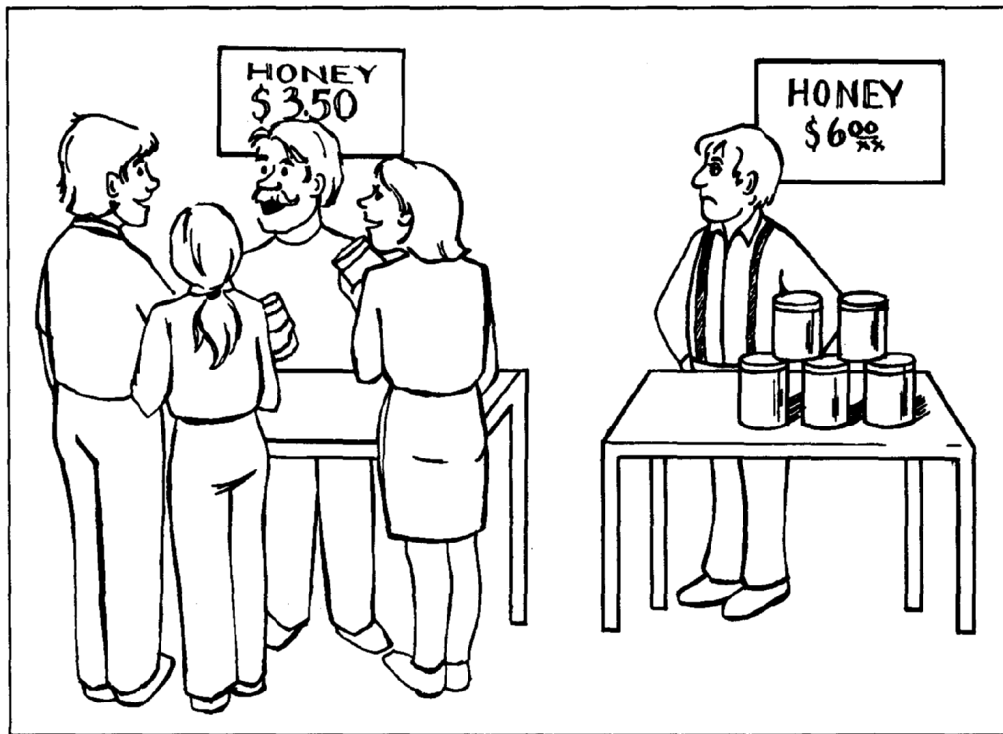
Prepare a Net Worth Statement for your own operation by completing pages 2 through 9 in the Farm Business Planner. When you have completed them, transfer the information to page 2 of the Planner to produce the Net Worth Statement.

Summary

The Net Worth Statement is one of the basic financial statements used in agriculture today. It provides a “snap shot” of where you are financially at a particular point in time by illustrating the relative ownership of business assets – either by the owners through equity or by others through liabilities.

Preparing and maintaining accurate asset and inventory listings is something you should get into the habit of doing. Not only are they necessary for Net Worth Statement development, but they also allow you to keep track of inventory, loan balances, etc., as changes take place. Keep them updated regularly.

Make sure that you value your assets fairly. Over-valuation will lead to a false sense of security and could lead to unwise business decisions. Don't fool yourself.



In a future module you will determine how to analyze a Net Worth Statement to provide meaningful information that you can use in your operation.

MODULE 2 EXERCISE ANSWERS

Exercise 1

ASSETS	LIABILITIES
1. Cash	1. Land Mortgage
2. Land owned	2. Operating loan
3. Tractor	3. CWB Cash Advance
4. Livestock	4. Truck loan
5. Government Account	5. Hog barn loan
6. Barn	6. Fuel account payable

These are just some examples of assets and liabilities that could be found on your farm.

Exercise 2

	Current	Intermediate	Fixed
CWB final payment	✓		
Tractor		✓	
CSV life insurance	✓		
House			✓
Straw	✓		
Bred Cows		✓	
Twine on hand	✓		
Fall applied chemical	✓		
Yearling heifers		✓	
Cull bull	✓		
Co-op Equity			✓
Household furniture		✓	
Bull		✓	
Barley	✓		
RRSP			✓
Seed Barley	✓		
Front end loader		✓	
Vitamins and minerals	✓		
Car		✓	
Canola	✓		
Brome/alfalfa hay	✓		
Cull heifers	✓		
Steel grain bin		✓	
Round baler		✓	
Seed wheat	✓		
Cull cows	✓		
½ ton truck		✓	
Slough hay	✓		
Wheat	✓		
Mix mill		✓	
Government account		✓	

Exercise 3

	Current	Intermediate	Long Term
Principal due on breeding stock loan	<u>✓</u>	<u> </u>	<u> </u>
Accrued interest on breeding stock loan	<u>✓</u>	<u> </u>	<u> </u>
Tractor loan	<u> </u>	<u>✓</u>	<u> </u>
Operating loan	<u>✓</u>	<u> </u>	<u> </u>
Payment on land Agreement for Sale	<u>✓</u>	<u> </u>	<u> </u>
CWB cash advance	<u>✓</u>	<u> </u>	<u> </u>
Breeding stock loan	<u> </u>	<u>✓</u>	<u> </u>
Accrued interest on tractor loan	<u>✓</u>	<u> </u>	<u> </u>
Land lease payment	<u>✓</u>	<u> </u>	<u> </u>
Principal due on tractor loan	<u>✓</u>	<u> </u>	<u> </u>
Agreement for sale on land	<u> </u>	<u> </u>	<u>✓</u>

Exercise 4

Current portion of principal due on Round Baler loan = $\$750 \times 2 = \$1,500$

Interest accrued on Round Baler loan = $\frac{\$5,500 \times 123 \text{ days} \times 7.9\%}{365} = \146

Current portion of principal due on Dairy Barn loan = $\$5,000 \times 4 = \$20,000$

Interest accrued on Dairy Barn loan = $\frac{\$289,000 \times 61 \text{ days} \times 13.5\%}{365} = \$6,520$

LIABILITIES	
Current	
Operating Loan	_____
Intermediate Principal Due	\$1,500
Long Term Principal Due	\$20,000
Intermediate Accrued Interest	\$146
Long Term Accrued Interest	\$6,520
Total Current Liabilities	\$28,166
Intermediate	
Breeding Stock Loans	_____
Machinery and Equip. Loans	\$4,000
Personal Loans	_____
Total Intermediate Liabilities	\$4,000
Long Term	
Building Loans	\$269,000
Land Loans	_____
Total Long Term Liabilities	\$269,000
TOTAL LIABILITIES	\$301,166

Exercise 5

**John and Diane Blake
Asset Inventory Listing**

Cash on Hand	\$1,585*
---------------------	-----------------

*enter in **Current Assets**

Notes and Accounts Receivable

DESCRIPTION (owed by whom, security, interest charged, etc.)	TOTAL VALUE
<i>CWB final payment</i>	\$1,427
<i>Government payment</i>	\$6,720
TOTAL	\$8,147*

*enter in **Current Assets**

Supplies Inventory

DESCRIPTION (fuel, fertilizer, chemicals, minerals, etc.)	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Vitamins and minerals</i>			\$100
<i>Fall applied chemical</i>			\$1,100
<i>Twine</i>	<i>2 bales</i>	<i>\$30/bale</i>	\$60
TOTAL			\$1,260*

*enter in **Current Assets**

Exercise 5 continued...

John and Diane Blake
Asset Inventory Listing

Seed and Feed Inventory for Farm Use

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Seed wheat</i>	<i>180 bu.</i>	<i>\$4.25/bu.</i>	<i>\$765</i>
<i>Seed barley</i>	<i>120 bu.</i>	<i>\$2.00/bu.</i>	<i>\$240</i>
<i>Feed barley</i>	<i>1,400 bu.</i>	<i>\$1.75/bu.</i>	<i>\$2,450</i>
<i>Brome-alfalfa hay</i>	<i>59 bales</i>	<i>\$30/bale</i>	<i>\$1,770</i>
<i>Slough hay</i>	<i>72 bales</i>	<i>\$22/bale</i>	<i>\$1,584</i>
<i>Straw</i>	<i>31 bales</i>	<i>\$10/bale</i>	<i>\$310</i>
TOTAL			\$7,119

enter in Current Assets

Grain and Feed Inventory

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Canola 1CR</i>	<i>1,800 bu.</i>	<i>\$5.75/bu.</i>	<i>\$10,350</i>
<i>Wheat 1CW 13.5</i>	<i>2,000 bu.</i>	<i>\$3.45/bu.</i>	<i>\$6,900</i>
TOTAL			\$17,250

enter in Current Assets

Exercise 5 continued...

John and Diane Blake
Asset Inventory Listing

Market Livestock Inventory

DESCRIPTION	QUANTITY	PRESENT WEIGHT	UNIT VALUE	TOTAL VALUE
<i>Cull cows</i>	<i>7 head</i>	<i>1200 lbs.</i>	<i>\$700</i>	<i>\$4,900</i>
<i>Cull bull</i>	<i>1 head</i>	<i>2200 lbs.</i>	<i>\$1,500</i>	<i>\$1,500</i>
<i>Cull heifers</i>	<i>1 head</i>	<i>1200 lbs.</i>	<i>\$1,050</i>	<i>\$1,050</i>
TOTAL				\$7,450

enter in **Current Assets**

Breeding Livestock Inventory

DESCRIPTION	QUANTITY	UNIT VALUE	TOTAL VALUE
<i>Bred cows</i>	<i>50 head</i>	<i>\$1,100</i>	<i>\$55,000</i>
<i>Bulls</i>	<i>1 head</i>	<i>\$2,400</i>	<i>\$2,400</i>
<i>Yearling heifers</i>	<i>7 head</i>	<i>\$850</i>	<i>\$5,950</i>
TOTAL			\$63,350

enter in **Intermediate Assets**

Exercise 5 continued...

John and Diane Blake
Asset Inventory Listing

Machinery and Equipment Inventory

DESCRIPTION (make, model, size, etc.)	PRESENT VALUE
<i>1/2 ton truck</i>	<i>\$2,000</i>
<i>Tractor</i>	<i>\$19,000</i>
<i>Round baler</i>	<i>\$6,000</i>
<i>Mix mill</i>	<i>\$1,400</i>
<i>Front end loader</i>	<i>\$4,800</i>
TOTAL	\$33,200

enter in Intermediate Assets

Owned Land Inventory

LEGAL DESCRIPTION	PRESENT VALUE
<i>NW 14-35-3</i>	<i>\$53,280</i>
TOTAL	\$53,280

enter in Fixed Assets

Exercise 5 continued...

**John and Diane Blake
Asset Inventory**

Buildings and Improvements Inventory

DESCRIPTION (size, type of construction, etc.)	LEGAL DESCRIPTION OF LOCATION	YEAR BUILT	YEAR ACQUIRED	PURCHASE PRICE	PRESENT VALUE
<i>1650 bu. Steel bin</i>					\$2,000
TOTAL					\$2,000*

*enter in **Fixed Assets**

Personal and Other Assets Inventory

DESCRIPTION	VALUE		
	Current*	Intermediate*	Long Term*
Term Deposits			
Cash Surrender Value of Life Insurance	\$237		
RRSPs			\$4,600
Pensions			
Stocks and Bonds			
Non-farm Investments			
Non-farm Real Estate			\$25,000
Household Items and Furniture		\$10,300	
Recreational Assets			
Non-farm Automobiles		\$10,000	
Co-operative Equity			\$592
Market Quota			
Government Account		\$2,780	

*enter as indicated

Exercise 5 continued...

**John and Diane Blake
Liability Listing**

Current Liabilities—Operating Loan

CREDITOR	PRESENT BALANCE
<i>Bank of Sask.</i>	\$20,000
TOTAL	\$20,000

enter in Current Liabilities

Current Liabilities—Accounts Payable

CREDITOR/PURPOSE	PRESENT BALANCE	ANNUAL PAYMENT		
		Principal	Interest	Total
<i>CWB Advance</i>	\$5,100	\$5,100	0	\$5,100
<i>Land Rental Payment</i>		\$1,600		\$1,600
TOTAL	\$5,100	\$6,700	0	\$6,700

enter in Current Liabilities

Current Liabilities—Accrued Interest

CREDITOR/PURPOSE	PRINCIPAL OUTSTANDING	DATE OF LAST PAYMENT	# OF DAYS SINCE LAST PAYMENT	INT. RATE	ACCRUED INTEREST
<i>Tractor</i>	\$15,000	<i>Dec. 2</i>	30	14%	\$173
<i>Breeding stock</i>	\$28,623	<i>Nov. 1</i>	61	12%	\$574
<i>Agreement for Sale</i>	\$35,000	<i>Oct. 2</i>	91	5%	\$436

Exercise 5 continued...

**John and Diane Blake
Liability Listing**

Intermediate Liabilities

CREDITOR/PURPOSE	INT. RATE	PRESENT BALANCE	ANNUAL PRINCIPAL PAYMENT
<i>Tractor</i>	14%	\$15,000	\$3,000
<i>Breeding stock</i>	12%	\$28,623	\$3,511
TOTAL		\$43,623	\$6,511

enter in Intermediate Liabilities

Long Term Liabilities

CREDITOR/PURPOSE	INT. RATE	PRESENT BALANCE	ANNUAL PRINCIPAL PAYMENT
<i>Agreement for Sale - land</i>	5%	\$35,000	\$5,000
TOTAL		\$35,000	\$5,000

enter in Long Term Liabilities

Exercise 5 continued...

Net Worth Statement

Name: John and Diane Blake Date: January 1, 20X1

ASSETS		LIABILITIES	
Current		Current	
Cash on Hand	\$1,585	Operating Loan	\$20,000
Seed and Feed Inventory	\$7,119	Cash Advances	\$5,100
Grain and Feed Inventory	\$17,250	Accounts Payable	\$1,600
Market Livestock Inventory	\$7,450	Intermediate Principal Due	\$6,511
Supplies Inventory	\$1,260	Long Term Principal Due	\$5,000
Notes and Accounts Receivable	\$8,147	Intermediate Accrued Interest	\$747
Personal and Other	\$237	Long Term Accrued Interest	\$436
Total Current Assets	\$43,048	Total Current Liabilities	\$39,394
Intermediate		Intermediate	
Breeding Stock	\$63,350	Breeding Stock Loans	\$25,112
Machinery and Equipment	\$33,200	Machinery and Equipment Loans	\$12,000
Personal	\$10,300	Personal Loans	_____
Stocks and Bonds	_____	Consolidation Loans	_____
Other	\$12,780	Other	_____
_____	_____	_____	_____
Total Intermediate Assets	\$119,630	Total Intermediate Liabilities	\$37,112
Fixed		Long Term	
Land	\$53,280	Building Loans	_____
Buildings	\$2,000	Land Loans	\$30,000
RRSPs	\$4,600	Consolidations Loans	_____
Co-operative Equity	\$592	Other	_____
Market Quota	_____	_____	_____
Personal	_____		
Non-Farm Real Estate	\$25,000		
Total Fixed Assets	\$85,472	Total Long Term Liabilities	\$30,000
TOTAL ASSETS	\$248,150	TOTAL LIABILITIES	\$106,506
		NET WORTH	\$141,644