

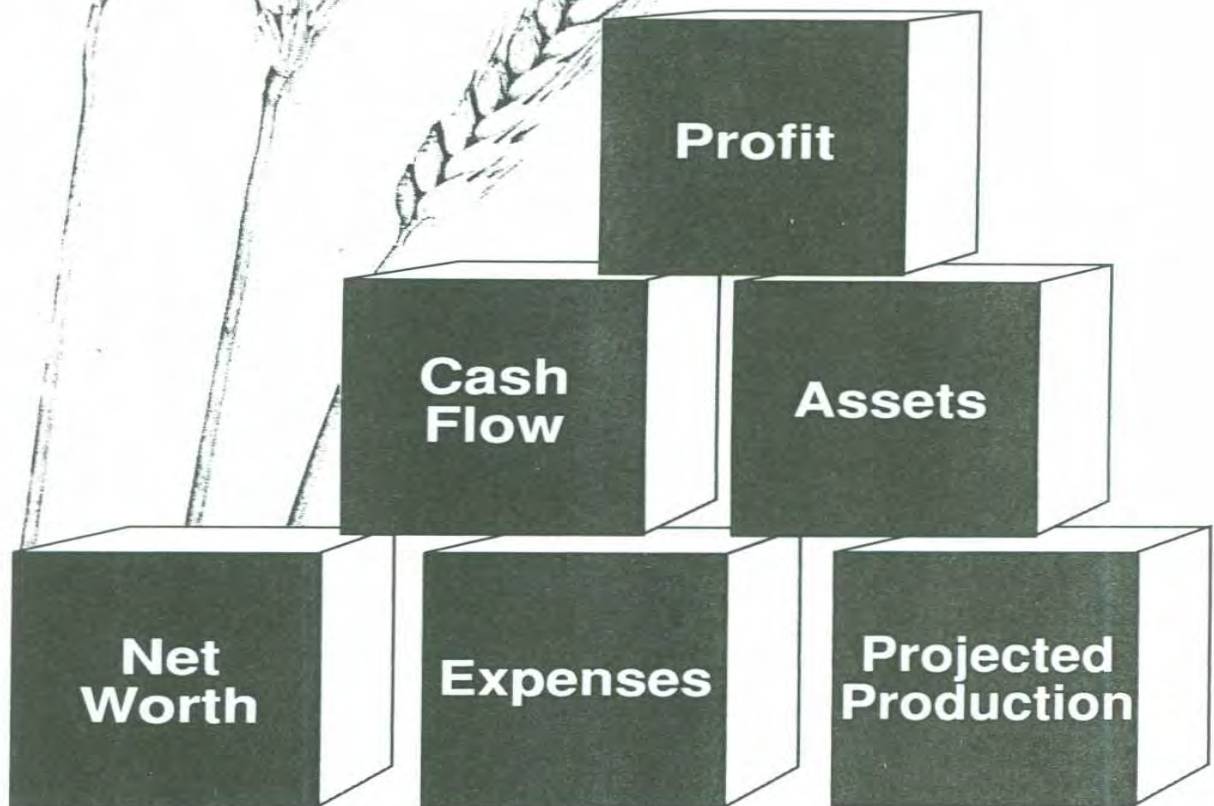


COMPREHENSIVE GUIDE TO FARM FINANCIAL MANAGEMENT

Farm Business Planner Completion Guide with Examples

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Farm Business Planner



**Completion Guide
With Examples**

FARM BUSINESS PLANNER COMPLETION GUIDE

The Completion Guide for the Farm Business Planner has been designed to aid in the entry, understanding and analysis of information in the Farm Business Planner. The areas discussed in this booklet are:

- I. The Fundamentals of Farm Credit
- II. The Value of Farm Records
- III. Farm Financial Services Offered
- IV. Analysis of Farm Credit Requirements
- V. Summary

I. THE FUNDAMENTALS OF FARM CREDIT

Amount of investment in land, buildings, equipment, livestock and operating funds required for the profitable operation of a farm business has become very large and continues to increase. As it is very difficult for most farmers to accumulate sufficient savings to provide the farm with these necessary funds, the use of borrowed capital has become commonplace as a means to providing the required capital. Consequently, some of the most critical management decisions made by farmers are in relation to the use of credit in financing the farm business:

Listed below are a number of principles that will assist in the understanding of credit use in developing and operating your farm business.

- Plan and arrange for credit well in advance of when you actually need funds.
- Evaluate your total credit requirements; for example, your short, intermediate and long term requirements.
- Arrange for the right type of credit in each situation.
- Limit the number of sources of borrowing.
- Try to establish some type of financial reserve.
- Be honest, frank and businesslike with your financial institution.

II. THE VALUE OF FARM RECORDS

Farm record keeping is a systematic procedure for recording day-to-day information relating to the farm business including both financial and production information.

Farm records reveal the financial performance and soundness of the total farm and individual enterprises. This information shows strong and weak areas of the farm business and serves as a starting point for planning decisions. Many planning decisions will involve a need for credit. Without adequate records it may be difficult deciding whether or not to borrow for a particular purpose. In discussing a loan application with a financial institution, it is important for the farmers to back up their request for a loan with proper information. This will provide the lender with evidence that progress is being achieved by the farm business.

There are many different accounting systems available from the government, independent farm management businesses and chartered accounting firms. It is necessary to have a system that gives you accurate information and the ability to monitor your financial condition.

III. FARM FINANCIAL SERVICES OFFERED

Some farm financial services include short term, intermediate and long term financing. These loans will cover all of your farm credit needs. These loans include revolving operating loans, machinery and equipment loans, breeding stock loans, and long term mortgage loans.

When applying for a farm loan your total credit requirements will be viewed as a package. This will help you setup a repayment schedule you can handle. Below, a number of loan categories are discussed.

REVOLVING OPERATING LOANS (LINES OF CREDIT)

These loans are granted to cover the day-to-day expenses that occur on a farm operation. Operating lines of credit usually revolve on a weekly, monthly, seasonal or annual basis with the terms of the loan normally being a maximum of one year. Lines of credit are expected to be repaid from the revenue generated out of a production cycle.

Operating loans are to be used for such things as purchasing seed, feed, fertilizer, gas, oil, repairs and cover normal operating expenses.

Farmers must ensure that operating loans are used to pay for operating expenses and not for purchasing fixed assets such as tractors, combines or even small parcels of land.

INTERMEDIATE TERM LOANS

Intermediate or medium-term loans have traditionally been looked upon as those loans with repayment terms between one and ten years. Loans in this category are commonly used for the purchase of depreciable assets such as farm machinery and equipment as well as the construction or renovations of buildings.

Security for intermediate loans is normally provided by the specific item being purchased but may also include other items already owned.

Repayment terms on intermediate loans are normally set up to correspond to the “productive life” of the asset being purchased. For example, if a piece of machinery with a useful productive life of approximately five years is to be financed, the repayment schedule should be set up for approximately five years.

LONG TERM LOANS

Long term loans include loans for the purchase of land, major improvements to land and buildings, or major reorganization and expansion of the farm enterprise.

Security required for long term loans is normally a mortgage on property. The repayment on long term loans normally runs from ten to twenty years. Interest rates on long term loans vary with the term of the loan.

IV. ANALYSIS OF FARM CREDIT REQUIREMENTS

When a lender is asked by a farmer to provide some form of financing, they will want to determine how much credit should be extended, what type of repayment plan should be followed, and what collateral is required to secure the loan.

When approaching the lender for a loan, farmers should be willing and able to provide the following basic information:

- What is the present financial position of the farm?
- What has occurred in previous years i.e. previous income and expense records?
- What are the future plans of the farm operation?
- What type and amount of loan is necessary?
- Will the farm business be capable of repaying the loan?
- What security is available and can this be assigned to the lender?
- What long term personal goals exist?

To answer these questions, the Farm Business Planner provides a number of management and planning aids. These include:

1. Net Worth Statement - Statement of Assets and Liabilities

This is an outline of what you own, what you owe and your net worth.

2. Past Income and Expense

This is a review of previous years' income and expenses.

This can be completed using tax records which show the "Cash" income and expenses. Alternatively, using the tax records and information obtained from year end Net Worth Statements, the true Value and Costs of Production called the "Accrued" Income and expenses can readily be obtained. This can then be used to measure the true profitability of the farm operator for previous years.

3. Projected Planning

This area will illustrate the farms anticipated sales from current inventories and this year's production for both crops, livestock, livestock products, such as milk or eggs, as well as any other income which is anticipated to be received in the projected year. The crop and livestock area is completed in such a way so as to show what is happening to beginning inventories as well as helping to estimate what inventory may be held on the farm at the end of the projected year. An area has also been provided to show how anticipated livestock purchases will be made as well as sales or purchases of other assets such as equipment or land and buildings.

4. Cash Flow

The Cash Inflow and Cash Outflow areas provide an important tool which can help farmers to plan the optimum time to market grain, pay certain expenses, purchase/sell assets or make debt payments. By utilizing this tool, farmers and your lender are able to identify the amount of operating funds that would be necessary for the efficient operation of the farm business. By manipulating the timing of sales and payment of expenses it is possible to significantly reduce the level and costs of the funds.

5. Farm Analysis

The information which has been compiled in the previous four (4) sections of the Worksheet can now be pulled together in such a way to illustrate:

A. *Projected Accrued Farm Income Summary*

By not only looking at the projected years' "Cash Income and Cash Expenses", but also including changes in inventories or supplies from beginning to end of year, a picture of the value and cost of production can readily be obtained. The resulting "Projected Net Farm Income" shows the anticipated profit or return of the farm business for the upcoming year.

B. *Projected and Past Income/Expense Analysis*

Comparing the projected year figures to actual previous years' figures provides an indication of how realistic the assumptions for projected income or expenses are in relation to past performance.

C. *Debt Service Capacity*

A "Viable" farm is defined as a farm that can produce sufficient income to pay a normal years' operating expenses, living expenses, as well as the normal years' debt payment. The "Debt Service Capacity" is a form which accomplishes this most important calculation.

D. *Ratio Analysis*

As a doctor uses a thermometer to provide one indication of a patient's health, the use of financial ratios can also be used as an indicator of the financial health of the farm business. The information required to calculate these ratios is found in either the net worth, cash flow or projected accrued farm income statement.

6. Comments

This area is to be completed by the lender to help provide those non-financial details and further explanation in various areas to aid in the loan decision-making process.

7. Annual Farm Update

This one page tear out form should be completed every year as close to December 31st as possible. This will provide most of the information required to develop a Net Worth Statement as of the beginning of the year. The value of having this information comes when viewing the financial performance of the farm business for the previous year and to help in estimating the upcoming (projected) year.

V. SUMMARY

We trust this guide will be of assistance in developing your farm plans. By completing this form you will have taken a serious look at your farm business and the direction in which it is headed. We would encourage all farmers to view this worksheet not as something that the lender wants completed in order to obtain a loan but rather, as a means of better understanding the farm operation and as a planning tool for a successful future.

NOTE: All page references provided in this guide refer to the actual worksheet i.e., Debt Service Capacity (Page 37) refers to the "Debt Service Capacity" section found on page 27 of the actual worksheet.

Summary Net Worth Statement

This worksheet is intended to help you establish the present financial condition of the assets and liabilities of your farm. Some information will come from other statements. The following pages must be completed before you transfer the sub-totals to the summarized front page.

Name _____

Date _____

Assets			Liabilities		
Current	Beginning Value \$		Current	Beginning Value \$	
Cash A	1,875		Operating Loans	18,000	
Notes and Accounts Receivable B	1,400				
Supplies Inventory C	1,300		Farm Accounts Payable	16,000	
Seed and Feed Inventory D	4,445				
Grain and Feed for Sale E	48,975		Principal Due This Year - Intermediate	8,724	
Market Livestock F			- Long Term	2,149	
Personal and Other Assets L			Accrued Interest - Intermediate Loans	2,455	
			- Long Term Loans	502	
			- New Loans		
SUBTOTAL CURRENT	57,995		SUBTOTAL CURRENT	47,830	
INTERMEDIATE			INTERMEDIATE*		
Breeding Livestock G	61,500		Breeding Livestock		
Machinery and Equipment H	211,400		Machinery and Equipment	20,646	
Personal & Other Assets L	26,000		Other	40,214	
SUBTOTAL INTERMEDIATE	298,900		SUBTOTAL INTERMEDIATE	60,860	
LONG TERM			LONG TERM*		
Land I	217,000		Land	47,875	
Buildings and Improvements K	76,000		Buildings and Improvements		
Personal and Other Assets L	16,000		Other		
SUBTOTAL LONG TERM	309,000		SUBTOTAL LONG TERM	47,875	
TOTAL ASSETS OWNED¹	665,895		TOTAL LIABILITIES²	156,565	
			NET WORTH (1-2)	509,330	

*Principal Outstanding **After** Current Portion Deducted.

Contingent Liabilities: Total _____

I HEREBY certify that the above is a true statement of my affairs, that there are no judgments or other actions outstanding against me, and that all assets are registered in my name, unless otherwise stated. I acknowledge that I understand the information contained herein is being relied on as being accurate and complete and for the purpose of obtaining credit and/or other accommodations. You are authorized to obtain any information required relative to my present or planned indebtedness from any source relative to my financial situation and each such source is hereby authorized to provide you with such information.

Signature

Summary Net Worth Statement: Complete pages 2 through 9 of the actual workbook to provide the figures to be used in completing this page.

A. Cash On Hand**TOTAL**

1,875

B. Notes and Accounts Receivable

Description (i.e., By Whom Owed, Security, Etc.)	Expected Date of Receipt	Beginning Value	Ending Value
<i>Sale of 2 Cows</i>	<i>Feb/09</i>	1,400	
TOTAL		1,400	0

C. Supplies Inventory

Description (i.e. Fuel, Chemicals, Fertilizer).	Beginning Value	Ending Value
Fuel	500	500
Fertilizer	800	
Note: Value fall applications or seeded crops at cost.		
TOTAL	1,300	500

D. Seed and Feed Inventory For Farm Use (To Be Used in Projected Year)

Description	Grade	Quantity	Unit Price	Value
Barley	Feed	1,400 bushel	2.30	3,220
Hay	Feed	700 bales	1.75	1,225
TOTAL				4,445

E. Grain And Feed Inventory For Sale (Your Share Only)

Description	Grade	Quantity	Unit Price	Value
<i>Wheat</i>	<i>#1</i>	<i>3,800 bushels</i>	<i>4.25</i>	<i>16,150</i>
<i>Barley</i>		<i>4,000 bushels</i>	<i>2.30</i>	<i>9,200</i>
<i>Canola</i>		<i>3,500 bushels</i>	<i>6.75</i>	<i>23,625</i>
TOTAL				48,975

- A. Cash on Hand:** This is the amount of cash presently on hand which could be used in the operation of the farm over the next 12 month period.
- B. Notes and Accounts Receivable:** Include all money owing to you for goods and services. Do not include any accounts which are considered doubtful to collect. Provide the expected date of receipt to assist in developing the cash flow.

Beginning Value refers to receivables that are due January 1 and will be received during the year. It is used on the Cash Flow (Page 20, actual worksheet). *Ending Value* refers to receivables that you anticipate will be owing to you at the end of the projected year.

- C. Supplies Inventory:** Include products involved with production of crops or livestock i.e., fuel, fertilizer, chemicals and supplements. Fall applied chemicals or seeded crops may be included at cost in this section.

Beginning Value refers to supplies presently on hand. *Ending Value* refers to supplies that you anticipate having on hand at the end of year i.e., pre-purchasing fertilizer for the following year.

- D. Seed and Feed Inventory for Farm Use:** Feed or seed that will be consumed or used during the upcoming year can be entered here. It assumes that there would not be an ending balance in this area. As an alternative these amounts could be entered in "E - Grain and Feed Inventory For Sale" and deducted as seed or feed used in the Crop Plan (page 15, actual worksheet). *NOTE:* Show in one or the other, not both.
- E. Grain and Feed Inventory For Sale:** This is inventory presently on hand and available for sale. Include only your share at current market values.

F. Market Livestock

Description	Quantity	Present Weight	Est. Date of Sale	Unit Price	Value
All calves sold in fall					
TOTAL					0

G. Breeding Livestock

Description	Quantity	Age	Unit Price	Value
Cows – Hereford	50	5 yrs	1,000	50,000
Replacement Heifers	10	1 ½ yrs	700	7,000
Bulls	3	2 ½ yrs	1,500	4,500
TOTAL				61,500

- F. Market Livestock:** Market Livestock are animals currently on hand that will be sold in the projected year, i.e. calves, market hogs, etc. Value animals on the basis of current market price. Do not use the expected value at a future sale date.
- G. Breeding Livestock:** The breeding herd is defined as cows, bulls, heifers, sows, boars, etc. Be conservative in the valuation of these animals and be sure to include only those animals actually on hand at the time of this statement.

H. Machinery And Equipment

Description		Year Built	Year Purch.	Purch. Price	Present Value	Est. End of Yr Value	Description		Year Built	Year Purch.	Purch. Price	Present Value	Est. End of Year Value
Make	Model						Make	Model					
Tractors							Livestock Equipment						
J.D. 8650		20x5	20x7	55,000	45,000	40,000	Cattle Chutes					10,000	9,000
J.D. 4640		20x1	20x4	40,000	30,000	27,000	Misc.						
I.H. 1066		20x6	20x9	20,000	10,000	10,000							
							Manure Spreader					3,000	2,800
Combines							Stock Trailer					2,600	2,200
A.C. L2		20x0	20x0	50,000	35,000	30,000							
							Trucks						
Swathers							GMC ½ Ton		20x4	20x4	1,400	7,500	6,500
Versatile 400		20x3	20x6	14,000	9,500	8,500	Ford 3 Ton		20x1	20x2	16,000	9,000	8,500
Seeding & Tillage													
IHC Cult. 24'		20x0	20x5	5,000	6,000	5,000	Tools & Shop Equipment						
Drills 24'		20x9	20x9	24,000	14,000	12,000	Tools, etc.					8,000	8,000
Spray Equipment													
70 foot & tank			Home Made	5,000	4,000	3,500							
							Misc. Farm Items					5,000	5,000
Forage Equipment													
Round Baler		20x4	20x7	6,000	5,800	5,000							
Square Baler		20x5			2,000	1,800							
Augers													
3 Misc. Sizes					5,000	4,500							
SUBTOTAL					166,300	147,300	SUBTOTAL					45,100	42,000
TOTAL												1211,400	1189,300
(1-2) ESTIMATED ALLOWANCE FOR REPLACEMENT (DEPRECIATION)												22,100	

H. Machinery And Equipment: Machinery and equipment should be valued at conservative market values as of the statement date (Present Value) as well as the Estimated End of Year Value. The Depreciation is calculated as the difference between the present value and the estimated end of year value.

I. Land Owned

Legal Description	Registered Owners Name	Assessment	Year Purchased	Purchase Price	Total Acres	Cultivated Acres	Present Value	Encumbrances	
								Yes	No
NW12-11-10	I.M. Farmer	5,200	20x3	30,000	160	150	52,500	✓	
NE12-11-10	I.M. Farmer	5,400	20x3	15,500	159	155	54,250	✓	
SW12-11-10	I.M. Farmer	5,600	20x3	16,000	160	160	56,000	✓	
SE12-11-10	I.M. Farmer	5,300	20x3	15,500	157	155	54,250	✓	
TOTAL					636	620	217,000		

J. Land Rented

Legal Description	Landlord's Name	Terms of Lease					Yr. Acq.	Total Acres	Cult. Acres	Annual Cash Rental	Assess-ment	Expiry Date
		Type		Crop Share	Cash Rent							
		Verbal	Written	Desc.	Dates Due	Ind. Pay Amount						
Sec 19-11-10	Lands Br.		✓		Nov.	1,200	20x5	640	0	1,200	4,050	20x9
NW14-11-10	U. Farmer		✓		May & Nov.	2,000	20x8	160	155	4,000	5,320	20x3
NE14-11-10	U. Farmer		✓		May & Nov.	2,000	20x8	160	158	4,000	5,290	20x3
SW14-11-10	U. Farmer		✓		May & Nov.	2,000	20x8	159	159	4,000	5,530	20x3
NE17-11-10	J. Farmer		✓	70:30			20x4	160	160	-	6,250	20x1
Total								1,279	632	13,200		

**TOTAL/CULTIVATED ACRES OPERATED
(Owned and Rented)**

1,915	1,252
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4 & 5

- I. Land Owned:** All land owned should be listed in this section. The present value should reflect current market price and should **exclude** any value attributed to buildings or improvements. (These are shown on page 5, actual worksheet - item K)
- J. Land Rented:** This provides useful background information about the additional land resources available to you.

K. Buildings And Improvements Owned

Legal Description of Location	Description	Year Acquired	Cost	Insurance Coverage	Present Value
NW12-11-10	House-1,280 ft²	20x5	45,000	70,000	30,000
NW12-11-10	Quonset – Metal 40' x 80'	20x3		22,000	10,000
NW12-11-10	Shop – Heated 28' x 22'	20x8	15,000	20,000	10,000
NW12-11-10	Cattle Shed 60' x 20'	20x3		10,000	6,000
NW12-11-10	Metal Bins 25,000 bushels total			25,000	20,000
	Misc. Older Buildings			0	0
TOTAL					76,000
EST. END OF YEAR VALUE					70,000
DEPRECIATION					6,000

L. Personal and Other Assets

Description	Value		
	Current	Intermediate	Long Term
Term Deposits			10,000
Life Insurance (Cash Surrender Value)			
Retirement Assets: - RRSPs			6,000
- Pensions			
Marketable Securities - Stocks			
- Bonds			
Non-Farm – Investments			
- Real Estate			
- Other			
Household and Furniture		8,000	
Recreation – Trailer		4,000	
Automobiles – 1987 Olds '88		14,000	
Equity (Co-op, etc.)			
Market Quota			
Other			
Total	0	26,000	16,000

K. Buildings and Improvements Owned: Present building values should represent what they would be worth in terms of what they would add to the sale value of the land on which they are situated. Depreciation is calculated as the difference between the Total Present Value and the Estimated End of Year Value.

L. Personal and Other Assets: All personal or other assets not included in the previous sections are to be listed here. They can be broken into the three categories provided:

- Current: Easily converted to cash within the year.
- Intermediate: Between one and 10 years.
- Long Term: Greater than 10 years.

Statement of Liabilities

Current (less than one year)

Operating Loans (Revolving Line of Credit)

Creditor	Date of Origin	Interest Rate	Approved Amount	Outstanding Balance	Collateral
Yourtown Credit Union	20x8	13%	50,000	18,000	Gen. Sec. Agreement
TOTAL				18,000	

Farm Accounts Payable (i.e. Past due rent, term loans if for less than one year, tax arrears, cash advances, supplier credit, loan arrears)

Creditor/Purpose	Date of Origin	Int. Rate	Original Amount	Outstanding Balance (Prin. & Int.)	Annual Payment Amount			Individual Payment Amounts	Repayment Dates	Collateral
					Total \$	Principal	Interest			
C.W.B./Cash Advance	20x8	0	30,000	12,000	12,000	12,000	0	12,000	As Sell	Grain
Fertilizer	20x8	24%	12,000	4,000	4,200	4,000	200	4,200	Feb.	Sec. Agree.
TOTAL				16,000	16,200	16,000	200			

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Statement of Liabilities: This section is to record outstanding debts in three categories: current; intermediate; and long term. Use the Total figures when transferring to the Summary Net Worth Statement. Balances should be as of the statement date. All personal debts should be included in one of the three categories.

Current Liabilities: These are liabilities which are due during the projected year. This area is further broken down into two areas:

1. Operating Loans - Includes revolving lines of credit in this area. The "Outstanding Balance" should reflect the amount owing on the operating loan as of the date of this statement.
2. Farm Accounts Payable - Includes all other debt that is currently outstanding which is to be paid in the projected year i.e., Past Due Rent, Term Loans if for Less Than One Year, Tax Arrears, Cash Advances, Supplier Credit and Loan Arrears.

Intermediate (one to ten years)

Creditor	Purpose	Date of Origin	Interest Rate		Original Amount \$	Principal Outstanding \$	Accrued Interest \$
			Fixed	Floating			
Yourtown C.U.	Tractor	20x7		P + 2	35,000	26,856	948
Yourtown C.U.	Consolidation (Equipment)	20x7	14%		45,000	42,728	1,507
TOTAL						69,584	2,455

Long Term (over ten years)

Long Term (over ten years)					A		B
Creditor	Purpose	Date of Origin	Interest Rate		Original Amount \$	Principal Outstanding \$	Accrued Interest \$
			Fixed	Floating			
F.C.C.	Land	20x3	6%		70,000	50,024	502
TOTAL						50,024	502

Note: If the loan is in arrears show the arrears that will be paid this year in Column "C" (next page). As the arrears amount will be made up of principal and/or interest, the appropriate amounts should be excluded from the figures shown in *Principal Outstanding* - Column "A" and *Accrued Interest* - Column "B" i.e. the amounts shown in "A" or "B" *do not* include arrears which are to be paid this year.

Intermediate Liabilities: These are debts which were set up to be repaid over a 1 - 10 year term. Please refer to the notes provided in the Actual Worksheet - Page 7, on Columns A through F.

Long Term Liabilities: These are debts which were originally to be over a term longer than 10 years. Please refer to the notes provided in the Actual Worksheet - Page 7 on Columns A through F.

Arrears Due This Year	Annual Payment Amount			Individual Payment Amounts	Repayment Dates	Collateral
	Total \$	Principal Portion	Interest Portion			
0	9,970	6,210	3,760	4,985	April/Oct.	PPSA on Tractor
0	8,496	2,514	5,982	4,248	April/Oct.	1 st Mortgage on SW & SE 12
0	18,466	8,724	9,742			

C	D	E	F			
Arrears Due This Year	Annual Payment Amount			Individual Payment Amounts	Repayment Dates	Collateral
	Total \$	Principal Portion	Interest Portion			
0	5,150	2,149	3,001	5,150	Nov.	1 st Mortgage on NW & NE 12
0	5,150	2,149	3,001			

- A.** Principal Outstanding Shown on Summary Net Worth Statement is **After** Deducting Principal Payment (E).
- B.** Accrued Interest Shown As Current Liability on Net Worth Statement.
- C.** Arrears Due This Year Shown As Account Payable in Current Liability Section Page 7 (Do NOT include in Totals): (A or B).
- D.** Note: Total Payment Equals E + F.
- E.** Principal Shown as Current Liability on Summary Net Worth Statement.
- F.** Interest Shown As Expense on Projected Expenses Statement

Contingent Liabilities*

* These are loans that you have co-signed or guaranteed on behalf of someone else and not already shown on your debt statement (i.e. for another family member).

Creditor	Name of Primary Debtor	Relationship	Purpose	Collateral	Arrears	Outstanding Balance
TOTAL						0

Accrued Interest Estimation Form (Working Form)

If you have not been given the Accrued Interest by your creditor, this worksheet can be used to estimate the interest owing to this date, as well as the interest that will be owing at the end of year.

Name of Loan YEAR START (Existing Loans)	Date of Last Payment	Principal Balance At Last Payment A	No. of Days Since Last Payment B	Interest Rate C	Estimated Accrued Interest D
C.U. – Tractor	Oct./08	26,856	92	14%	948
- Consolidation	Oct./08	42,728	92	14%	1,507
F.C.C.	Nov./08	50,024	61	6%	502

YEAR END (include New Loans)					
C.U. – Tractor	Oct./09	20,646	92	14%	729
- Consolidation	Oct./09	40,214	92	14%	1,419
F.C.C.	Nov./09	47,875	61	6%	480
NOTE: Floating Rate Loans will be difficult to calculate due to interest rate changes. These should be provided directly from your creditor or assumed to be at the present rate of interest for calculating interest to the end of the year.					
$\frac{A \times B \times C}{365} = D$					
TOTAL					2,628

Contingent Liabilities: These are debts that you have provided a guarantee or co-signed on behalf of someone else but not shown on your debt statement.

Accrued Interest Estimation Form: This “Working Form” is to be used in those cases where you have not been provided the Accrued Interest on debt up to the date of your present Net worth Statement. It can also be used to estimate the accrued interest that would be owing at the end of the projected year. This figure would then be used on page 25, actual workbook, in the “Projected Accrued Farm Income Summary”.

Past Income and Expense Section

Past Income and Expense Statements

Income	YEAR	20x8	20x7	20x6
	Cultivated Acres – Owned	620	620	620
	Rented	632	632	632
	Total	1,252	1,252	1,252
	Average Breeding Herd	63	63	63
INCOME <i>(Obtain from Income Tax Form)</i>		29,750	24,530	31,210
Crops – Wheat		17,770	19,535	16,420
Crops – Barley		31,290	33,570	24,530
Crops – Canola				
Subtotal Crops (1)		78,810	77,635	72,160
Livestock – Calves		23,400	21,110	18,780
Livestock – Cows		4,300	4,110	3,870
Livestock Products				
Subtotal Livestock (2)		27,700	25,220	22,650
Custom Work		4,500	4,300	4,100
Rent/Share Income				
Rebates		770	730	450
Government Payments –		6,890	7,520	5,390
Government Payments –		11,370	14,390	7,430
Government Payments – Other		8,790	9,850	0
Crop Insurance				
Other Farm Income				
Subtotal Other Farm Income (3)		32,320	36,790	17,370
TOTAL FARM CASH INCOME 4 = (1+2+3)		138,830	139,645	112,180
ACCRUAL ADJUSTMENTS (If Not Available Assume 0 Adjustments)				
+ End Accounts Receivable		+ 1,400	+ 0	+ 0
- Beginning Accounts Receivable		- 0	- 0	- 0
+ End Feed and Seed Inventory for Farm Use		+ 4,445	+ 6,330	+ 5,450
- Beginning Feed and Seed Inventory for Farm Use		- 6,330	- 5,450	- 5,700
+ End Grain Inventory for Sale		+ 48,975	+ 55,750	+ 53,300
- Beginning Grain Inventory for Sale		- 55,750	- 53,300	- 38,750
+ End Market Livestock		+ 0	+ 0	+ 0
- Beginning Market Livestock		- 0	- 0	- 0
+ Ending Breeding Livestock		+ 61,500	+ 59,700	+ 59,700
- Beginning Breeding Livestock		- 59,700	- 59,700	- 55,000
SUBTOTAL ACCRUAL ADJUSTMENT ±5		-5,460	+3,330	+19,000
TOTAL ACCRUED FARM INCOME 6 = (4+5) A		133,370	142,975	131,180
NON-FARM INCOME - GROSS		7,400	7,250	0
- NET		6,870	6,300	0

Past Income and Expense Statements: This area provides comparative income/expense information for up to the four previous years. *NOTE:* Enter data showing the most current year on the left.

Income: All information necessary to complete this area up to “Total Farm Cash Income” can be obtained from income tax records. The Accrued Adjustments can be completed using information obtained from previous Beginning and End of Year Net Worth Statements. The Accrued Farm Income” figure will provide a more accurate picture of the true value of farm production for a given year. If you do not have the information available to make these adjustments then the “Sub-Total Accrued Adjustments” figure should be left at “0”. The “Total Accrued Farm Income” would then be the same as the “Total Farm Cash Income”.

Expenses	YEAR	20x8	20x7	20x6	
Variable: Crop Expenses:	Seed and Cleaning	1,875	1,435	1,220	
	Fertilizer	13,950	12,790	14,370	
	Chemicals	15,780	14,850	12,740	
	Hail and Crop Insurance	3,970	3,860	3,520	
	Custom Charges				
	Other				
SUBTOTAL CROP	(1)	35,575	32,935	31,850	
Machinery Expenses:	Fuel, Oil, Grease	7,980	6,850	5,970	
	Repairs and Maintenance	4,995	6,335	4,520	
	Equipment, Rental, Lease Payments				
	Shop Supplies	963	485	690	
	Other				
SUBTOTAL MACHINERY	(2)	13,938	13,670	11,180	
Livestock Expenses:	Feeder Purchases				
	Feed Purchases	6,870	7,310	10,420	
	Salt, Minerals, Vitamins	985	845	390	
	Vet Fees and Drugs	745	690	520	
	Livestock Supplies	475	740	510	
	Breeding Fees				
	Bailing Twine	575	480	450	
	Trucking and Marketing	780	920	490	
	Pasture Rental				
	Other	700	620	340	
SUBTOTAL LIVESTOCK	(3)	11,130	11,605	13,120	
Interest on Operating Loans	(4)	3,870	2,950	3,710	
TOTAL VARIABLE EXPENSES	5 = (1+2+3+4)	64,513	61,160	59,860	
Fixed:	Breeding Livestock Purchased	0			
	Property Taxes	3,100	2,950	2,760	
	Hired Labour	2,875	3,150	2,650	
	Building and Fence Repairs	980	870	790	
	Utilities	2,780	2,660	2,230	
	General Insurance and Licenses	940	900	875	
	Accounting and Legal	420	410	390	
	Land Rent	13,200	13,200	13,200	
	Interest on Term Loans	15,750	16,570	12,480	
	Other				
TOTAL FIXED EXPENSES	(6)	40,045	40,710	35,375	
TOTAL CASH EXPENSES (Variable and Fixed)	7 = (5+6)	104,558	101,870	95,235	
Accrual Adjustments:	- Ending Supplies Inventory	- 0	- 0	-	-
+ Beginning Supplies Inventory		+ 0	+ 0	+	+
+ Ending Accounts Payable		+ 16,000	+ 0	+	+
- Beginning Accounts Payable		- 0	- 0	-	-
+ Ending Outstanding Accrued Interest		+ 2,957	+ 3,149	+ 2,910	+
- Beginning Outstanding Accrued Interest		- 3,149	- 2,910	- 2,110	-
+ Allowance for Replacement (Depreciation)		+ 26,000	+ 22,000	+ 23,000	+
SUBTOTAL ACCRUAL ADJUSTMENT	(±8)	+ 41,808	+ 22,239	+ 23,800	

Projected Planning Section

Crops

Projected Production

Projected Production							Projected					
Type	Beginning Inventory (from pg 2)			Sales to July 31			Acres	Yield	Quantity 3	Amount Used		
	Amount 1	Price	Value \$ A	Amount 2	Price	Value \$ B				Seed 4	Feed 5	Crop Share 6
Wheat	3,800	4.25	16,150	3,800	4.25	16,150	313	27	8,451	800		400
Barley	4,000	2.30	9,200	4,000	2.30	9,200	313	45	14,085	800	2,500	
Canola	3,500	6.75	23,625	3,000	6.75	20,250	313	24	7,512			500
SMF							313					
							1,252	(Should equal Total Cultivated Acres shown on page 5).				

Notes:

Projected Production - amount used for Seed and Feed should represent the amounts required to the end of the Projected Production Year only.

Cash Income reported on Cash Flow Statement.

Inventory Change = Value Ending Inventory - Value Beginning Inventory.

This is shown on the Projected Accrued Farm Income Summary.

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Crops: The crop planning section has two purposes:

1. Provide all relevant information to illustrate anticipated CASH sales to the end of the year; and
2. Provide Inventory information so that changes in inventory can be noted and used in calculating "Accrued Income" (page 25, actual workbook).

NOTE: The Beginning Inventory information should be carried forward from "page 2 - E". The amount used for Seed or Feed should represent only those amounts required to be used prior to the end of the projected production year.

Production				Ending Inventory (1-2+7-8)			Cash Income This Year \$ B + C	Inventory Change End-Beginning ± \$ D - A
Available For Sale 7 (3-4-5-6)	Sales to Dec. 31 8	Price	Value \$ C	Amount	Price	Value \$ D		
7,251	4,000	4.40	17,600	3,251	4.40	14,304	33,750	-1,846
10,785	4,000	2.50	10,000	6,785	2.50	16,963	19,200	+7,763
7,012	2,000	7.00	14,000	5,512	7.00	38,584	34,250	+14,959
TOTAL							87,200	+20,876

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Livestock

Marketing Herd

Type	Beginning Inventory			Born 2	Number			Selling Price	Total Projected Cash Income \$ B
	Number 1	Price	Value \$ A		Purchased 3	Died 4	Sold 5		
Calves	0		0	48	0	0	38	500	19,000
TOTAL									19,000

Breeding Herd

Type	Beginning Inventory			Number			Selling Price	Total Projected Cash Income \$ B
	Number 1	Price	Value \$ A	Purchased 2	Died 3	Sold 4		
Cows	50	1,000	50,000	0	0	10	500	5,000
Rep. Heifers	10	700	7,000					
Bulls	3	1,500	4,500	1	0	1	700	700
TOTAL								5,700

Livestock Products

Type and Source	Quantity	Unit Price	Projected Income
TOTAL			0

Value of Produce Used In Home

Description	Total Value
TOTAL	

(Total Value entered as an adjustment
In Projected Accrued Farm Income
Summary)

Livestock: The livestock planning section has two purposes.

1. Provide all relevant information to illustrate anticipated cash sales to the end of the year.
2. Provide inventory change information so that changes in inventory can be noted and used in calculating "Accrued Income" (Page 25, actual workbook).

NOTE: The Beginning Inventory information should be carried forward from page 3 - F or G. The Class Transfers area is to be used when transferring animals from one class to another. For Example: 10 Calves are transferred Out of the Market area and transferred In to the Breeding area as replacement heifers. The 10 existing replacement heifers are shown being transferred Out and In to the Cows to replace the 10 cows which are shown as being sold.

Livestock Products: Includes items such as milk, eggs, etc.

Value of Produce Used in Home: If you have shown deaths that are for home use, you can include the value in this area. This will be used as an adjustment in the Projected Accrued Farm Income Summary” (Page 25, actual workbook). If this adjustment is used, you should increase living costs in the Cash Flow (Page 22, actual workbook) and Debt Service Capacity (Page 27) by the same amount.

Class Transfers		Ending Inventory			Inventory Change	Notes
# In 6	# Out 7	Number 8	Price	Value \$ C	(End-Beginning) ± \$ C – A	
	10	0		0	0	Calves usually sold in Nov.
8 = 1+2+3-4-5+6-7					TOTAL	0

Class Transfers		Ending Inventory			Inventory Change	Notes
# In 5	# Out 6	Number 7	Price	Value \$ C	(End-Beginning) ± \$ C – A	
10		50	1,000	50,000	0	Replacements kept from
10	10	10	700	7,000	0	own herd
		3	1,500	4,500	0	
7 = 1+2-3-4+5-6					TOTAL	0

Other Farm Income

Description	Total
Custom Work	4,800
Rent/Share Income	0
Rebates	500
Government Payments	5,000
	0
Other	
Miscellaneous Farm Income	
TOTAL	10,300

Non Farm Income

Source	Gross	Net
Person 1		
Person 2 Part Time Teacher	8,000	7,000
TOTAL	8,000	7,000

Other Farm Income: This area is to be used to record any other farm income which would be received during the projected year.

Non-Farm Income: To be used to show the source and amount of non-farm income. The ‘net’ figure is used in the Cash Flow (Page 20, actual workbook) and the Debt Service Capacity (Page 27, actual workbook).

Livestock Purchases

Market Herd

Type	Number	Price	Total	Method		
				Cash	New Borrowing	Anticipated Payment and Dates
TOTAL				TOTAL		

Breeding Herd

Type	Number	Price	Total	Method		
				Cash	New Borrowing	Anticipated Payment and Dates
Bull	1	1,500	1,500	1,500		Purchase in March
TOTAL			1,500	TOTAL		

Capital Sales And Purchases Planned Intermediate (i.e. Equipment)

Item	Sale Price	Purchase Price	Method		
			Cash	New Borrowing	Anticipated Payment and Dates
Tractor	10,000	20,000	0	10,000	\$2,913 Due in Dec.
					Starting in 20x9 over
					5 years at 14%
					\$1,513 Princ. & \$1,400 Int.
TOTAL	10,000	20,000	0	10,000	

Long Term (i.e. Land/Buildings)

Item	Sale Price	Purchase Price	Method		
			Cash	New Borrowing	Anticipated Payment and Dates
TOTAL					

NOTES:

Livestock Purchases: If you have shown livestock being purchased in either the market or breeding area you must enter that information here. The “Total” price paid for the animals is entered in the Cash Flow (Page 22, actual workbook) as either Feeder Purchases or Breeding Livestock Purchased. The “Total” borrowings should be shown on the Cash Flow (Page 20, actual workbook) as New Borrowings”. The “Anticipated Payments and Dates” should be completed showing the Principal and interest portion breakdown. The total yearly payment is shown on the Cash Flow (Page 22, actual workbook) as “Debt Payment - New Loans”. Show the new loan debt payments for the Breeding Herd only on the Debt Services Capacity (Page 27, actual workbook) as “New Loan Debt Payments”. (*DO NOT* include Market Herd loan payments on this page.) The interest portion is used in the Accrued Farm Income Summary (Page 25, actual workbook) as Interest - New Loans.

Capital Sales and Purchases Planned: This area should be completed if you are planning to sell or purchase any capital items during the projected year. The Total Sale Price is shown on the Cash Flow - Page 20, actual workbook, as “Sale of Capital Assets”. The Total Purchase Price is shown on the Cash Flow (Page 22, actual workbook) as “Purchase of Capital Assets”. The Total New Borrowing is shown on the Cash Flow as “New Borrowings”.

NOTE: You may have to add all New Borrowings from Livestock and Capital Purchases. The Anticipated Payments and dates should be handled the same way as in Livestock Purchases.

Cash Flow Section

Projected Cash Flow Statement

		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
CASH INFLOW	TOTAL	JANUARY	FEBRUARY	MARCH	APRIL
CASH ON HAND (From page 3)	1,875	1,875			
ACCOUNTS RECEIVABLE (From page 3)	1,400	1,400			
CASH INCOME: (From Previous Section)					
CROP SALES					
Wheat	33,750	8,000	8,150	5,000	12,600
Barley	19,200	4,000	5,200	2,000	8,000
Oats					
Canola					
Other	34,250		20,250	7,000	7,000
Subtotal Crops	87,200				
LIVESTOCK SALES					
Calves	19,000				19,000
Cows	5,000		5,000		
Bulls	700		700		
LIVESTOCK PRODUCTS					
Subtotal Livestock	24,700				
CUSTOM WORK	4,800				4,800
RENT/SHARE INC.					
REBATES	500		500		
GOVERNMENT PAYMENTS					
	5,000		2,000		3,000
Other					
MISCELLANEOUS FARM INCOME					
Subtotal Other Farm Income	10,300				
SALE OF CAPITAL ASSETS	10,000	10,000			
NEW BORROWINGS	10,000	10,000			
NON FARM INCOME (Net)	7,000	1,750	1,750	1,750	1,750
TOTAL CASH INFLOW	152,475	37,025	43,550	15,750	56,150

Projected Cash Flow Statement: The cash flow statement is designed to allow the choice of a monthly or quarterly cash flow. The FBA computer program uses a quarterly cash flow hence the shaded areas in the first three quarters.

Cash on Hand: Carried in from Page 3 - A

Accounts Receivable: Carried in from Page 3 - B

Cash Income: Crops: Carried in from Page 15 - Cash Income This Year.

Livestock Sales: Carried in from Page 16 -Total Projected Cash Income.

Livestock Products: Carried in from Page 16 Projected Income.

All Other Farm Income: Carried in from Page 17 - Other Farm Income.

Sale of Capital Assets: Carried in from Page 18 - Capital Sales.

New Borrowings: Carried in from Page 18 - Total of New Borrowing.

Non-Farm Income: Carried in from Page 17 - Net Non-Farm Income.

NOTE: The Total Cash Inflow should equal the addition of the monthly or quarterly totals.

Projected Cash Flow Statement

[illegible]

Projected Cash Flow Statement

TOTAL CASH INFLOW (From previous page)		152,475	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
CASH OUTFLOW		TOTAL	JANUARY	FEBRUARY	MARCH	APRIL
VARIABLE: CROP	Seed Cleaning	2,000	1,500	500		
	Fertilizer	14,000	7,000	7,000		
	Sprays and Insecticides	16,000		16,000		
	Hail and Crop Insurance	4,000				4,000
	Custom Charges					
	Other					
	Subtotal Crops	36,000				
MACHINERY	Fuel, Oil, Grease	8,000	1,000	3,000	3,000	1,000
	Repairs and Maintenance	5,000	1,000	2,000	1,000	1,000
	Equipment Rental/Lease Payments					
	Shop Supplies	1,000		500	500	
	Other					
	Subtotal Machinery	14,000				
	LIVESTOCK	Feeder Purchases				
Feed Purchased		7,000	2,000			5,000
Salt, Minerals and Vitamins		1,000	600			400
Vet Fees and Drugs		750	500			250
Livestock Supplies		500	250			250
Breeding Charges						
Baling Twine		600		400	200	
Trucking and Marketing		800				800
Pasture Rentals						
Other		1,000	250	250	250	250
Subtotal Livestock		11,650				
FIXED						
BREEDING LIVESTOCK PURCHASED		1,500	1,500			
PROPERTY TAXES		3,200				3,200
HIRED LABOUR		3,000		1,000	2,000	
BUILDING and FENCE REPAIRS		1,000		500	500	
UTILITIES		3,000	1,000	500	500	1,000
GENERAL INSURANCE and LICENSES		1,000		1,000		
ACCOUNTING and LEGAL		500		500		
LAND RENTAL		13,200		6,000		7,200
Subtotal Fixed Cash Expenses		26,400				
FAMILY LIVING ALLOWANCE		18,000	4,500	4,500	4,500	4,500
INCOME TAX						
PURCHASE OF CAPITAL ASSETS		20,000	20,000			

DEBT PAYMENTS					
New Loans (P & I)	2,913				2,913
Current Debt/Accounts Payable	16,200	10,200	6,000		
Intermediate Debt (P & I)	18,466		9,233		9,233
Long Term Debt (P & I)	5,150				5,150
TOTAL CASH OUTFLOW	168,779	51,300	58,883	12,450	46,146
SURPLUS (DEFICIT)	(16,304)	(14,275)	(15,333)	3,300	10,004
PREVIOUS END CASH BALANCE (Begin. Op. Ln.)	(18,000)	(18,000)	(33,092)	(49,750)	(48,013)
NET CASH BALANCE	(34,304)	(32,275)	(48,425)	(46,450)	(38,009)
INTEREST ON OPERATING LOAN	(5,103)	(817)	(1,325)	(1,563)	(1,398)
CASH BALANCE (Deficit or required Op. Ln.)	(39,407)	(33,092)	(49,750)	(48,013)	(39,407)

22 & 23

Cash Outflow: Most information up to Sub-Total Fixed Cash Expenses must be completed by the user as only three (3) items are carried over from other pages, i.e.

1. Feeder Purchases - carried in from Market Herd - Total Price
2. Breeding Livestock Purchases - carried in from Page 18 Breeding Herd - Total Price
3. Land Rented - carried in from Page 5 - J - Land Rented - Total Annual Cash rental.

Family Living Allowance: Estimate yearly cost for the family.

Income Tax: Provide an estimate of any tax payable during the projected year on farm income.

Purchase of Capital Asset: Carried in from Page 18 - Total purchase price of both intermediate and long term assets.

Debt Payments: New Loans - Carried in from Page 18 - anticipated payments

Current Debt/Accounts Payable: Carried in from Page 6 - Total Annual Payment Amount.

Intermediate Debt: Carried in from Page 8 - Intermediate Term Debt "Total Annual Payment Amount" (Column D)

Long Term Debt: Carried in from Page 8 - Long Term Debt Annual Payment Amount (Column D)

Surplus (Deficit): Is Total Cash Inflow minus Total Cash Outflow

Previous End Cash Balance: In the Total and the January or 1st Quarter column, this number is represented by the balance of the operating loan at the beginning of the projected year. In the other columns this number is represented by the Cash Balance (Deficit or Required Operating Loan) of the proceeding column.

Net Cash Balance: Surplus/Deficit minus Previous End Cash Balance.

Interest on Operating Loan: This should be calculated quarterly or monthly. The method used in this example is to take the average operating loan for the quarter and multiply the interest rate for the quarter.

$$\text{i.e. } \frac{(18000) + (32275)}{2} \times \frac{.13}{4} = 816.97 \text{ rounded to } 817$$

After each month's or quarter's interest has been calculated, these should be added and that number placed in the Total column.

Cash Balance (Deficit or Required Operating Loan): Equals Net Cash Balance minus Interest on Operating Loan. It is recommended that you complete the monthly or quarterly figures prior to completing the Total Column.

NOTE: As a check to ensure all figures are correct, the 4th Quarter or last months "Cash Balance (Deficit or Required Operating Loan)" figure should be the same as the ending figure in Total Column.

[illegible]

Farm Analysis Section

Projected Accrued Farm Income Summary

<u>INCOME</u>			<u>EXPENSES</u>		
Cash Income:			Cash Expenses:		
Crops	87,200		Variable: Crops	36,000	
Livestock	24,700		Machinery	14,000	
Other Farm Income	10,300		Livestock	11,600	
			Interest on Operating Loan	5,103	
TOTAL CASH INCOME	A	122,200	TOTAL VARIABLE	D	66,753
Accrual Adjustments:			Fixed: Fixed Cash Expenses	26,400	
-Beginning Feed and Seed For Farm Use	-4,445		Interest: Current	200	
± Crop Inventory Change	+20,876		Intermediate	9,742	
± Market Livestock Inventory Change	0		Long Term	3,001	
± Breeding Livestock Inventory Change	0		New Loans	1,400	
+ Ending Accounts Receivable	0		TOTAL FIXED	E	40,743
+ Value of Produce Used in Home	0		TOTAL CASH EXPENSES	F	107,496
			(F = D + E)		
TOTAL ACCRUAL ADJUSTMENTS	B	+16,431	Accrual Adjustments:		
			- Ending Supplies Inventory (i.e. prepaid expenses)	-500	
ACCRUED FARM INCOME	C	138,631	+ Beginning Supplies Inventory	+1,300	
(C = A + B)			+ Ending Outstanding Accrued Interest	+2,628	
			- Beginning Outstanding Accrued Interest	-2,957	
			+ Allowance for Replacement (Dep.)	+28,100	
			TOTAL ACCRUAL ADJUSTMENTS	G	28,571
			ACCRUED FARM EXPENSES	H	136,067
			(H = F ± G)		
			PROJECTED NET FARM INCOME	I	2,564
			(I = C – H)		

Projected Accrued Farm Income Summary:

Income: The cash income, crop or livestock inventory adjustments and value of produce used, is carried forward from the Projected Planning Section - pages 15, 16, 17, and 18. The adjustment for beginning feed and seed for farm use and ending accounts receivable is taken from Page 2 - D and B.

Expenses: The Variable Expenses and Fixed Cash Expenses are taken from Page 22. The interest figures are taken from Page 6 - interest total and Page 8 - Column F.

Please note that New Loans interest is found on Page 18 in the anticipated payments area. The accrued adjustment for supplies is found on Page 2 - item C. The accrued interest adjustment comes from Page 9. The depreciation for equipment is found on Page 4 and for buildings and improvements on Page 5.

Projected & Past Income/Expense Analysis

	Projected	Previous Years			
	20x9	20x8	20x7	20x6	
Year					
Cultivated Acres – Owned	620	620	620	620	
Rented	632	632	632	632	
Total	1,252	1,252	1,252	1,252	
Average Breeding Herd	63	63	63	63	
	Total \$	Total \$	Total \$	Total \$	Total \$
TOTAL ACCRUED FARM INCOME A	138,631	133,370	142,975	131,180	
Expenses: Variable					
Crop	36,000	35,575	32,935	31,850	
Machinery	14,000	13,938	13,670	11,180	
Livestock	11,650	11,130	11,605	13,120	
Interest on Operating Loans	5,103	3,870	2,950	3,710	
SUBTOTAL VARIABLE EXPENSES B	66,753	64,513	61,160	59,860	
FIXED – Interest on Term Loans	14,343	15,750	16,570	12,480	
All other Fixed Cash Expenses	26,400	24,295	24,140	22,895	
SUBTOTAL FIXED EXPENSES C	40,743	40,045	40,710	35,375	
ACCRUAL ADJUSTMENT (Expenses) D	28,571	41,808	22,239	23,800	
TOTAL ACCRUED FARM EXPENSES E=(B+C+D)	136,067	146,366	124,109	119,035	
NET FARM INCOME (LOSS) (Accrual) F=(A-E)	2,564	(12,996)	18,866	12,145	
GROSS MARGIN RATIO <u>Accrued Income – Variable Expenses</u> Accrued Income $\frac{A-B}{A}$.52	.52	.57	.54	

Projected and Past Income/Expense Analysis: Information for the Projected Year can be found on Page 25. Information for the Previous Years can be found on Pages 11, 12 and 13.

Debt Service Capacity

INCOME: TOTAL PROJECTED ACCRUED INCOME NET NON-FARM INCOME		138,631 + 7,000	
TOTAL INCOME AVAILABLE FROM ALL SOURCES		A	145,631
EXPENSES: i.e. TOTAL PROJECTED ACCRUED EXPENSES	136,067		
Less Amount Borrowed For Breeding Livestock	-0		
Less Allowance for Replacement/Depreciation	-28,100		
Less Interest – Intermediate	-9,742		
Long Term	-3,001		
New Loans	-1,400	93,824	
ESTIMATED LIVING ALLOWANCE		+18,000	
ESTIMATED INCOME TAX (FARM ONLY)			
TOTAL NON-DEBT REQUIREMENTS		B	111,824
AMOUNT AVAILABLE TO SERVICE DEBT		(A – B) = C	33,807
DEBT REQUIREMENTS			
Intermediate Term Debt Payments (P & I)	18,466		
Long Term Debt Payments (P & I)	+5,150		
New Loan Debt Payments (P & I) Exclude Market Herd Loan Payments	+2,913		
Include Breeding Herd Loan Payments			
TOTAL DEBT REQUIREMENTS		D	26,529
MARGIN FOR GROWTH		(C – D) = E	7,278

NOTE: An allowance must be made for maintaining an adequate line of equipment. This would cost from:

1. Margin for Growth; and
2. Present Loan Payments on existing equipment (i.e. As present equipment loans are paid off, new equipment loans will take its place).

Debt Service Capacity: The Projected Income and Accrued Expense figures are carried in from Page 25. The Net Non-Farm Income, Living Allowance, estimated Income Tax and Debt Requirements are carried in from Page 22 and 23.

NOTE: Current Debt/Accounts Payable are not included in Debt Requirements so that average year viability can be assessed.

Ratio Analysis

ANALYSIS				
Current Debt Coverage:				
<u>Current Assets</u>	=	<u>57,995</u>		1.21
Current Liabilities		47,830		
<i>(Risk increases as ratio drops. Should be greater than 1:1)</i>				
Intermediate-Term Debt Coverage:				
<u>Intermediate-Term Assets</u>	=	<u>298,900</u>		4.91
Intermediate-Term Liabilities		60,860		
<i>(Risk increases as ratio drops. Should be greater than 1:1)</i>				
Long Term Debt Coverage:				
<u>Long Term Assets</u>	=	<u>309,000</u>		6.45
Long Term Debt		47,875		
<i>(Risk increases as ratio drops. Should be greater than 1:1)</i>				
Long Term Solvency:				
<u>Total Assets</u>	=	<u>665,895</u>		4.25
Total Liabilities		156,565		
<i>(Risk increases as ratio drops. Less than 2:5:1 is risky)</i>				
Equity To Value Ratio:				
<u>Net Worth</u>	=	<u>509,330</u>		0.76 or 76%
Total Assets		665,895		
<i>(Risk increases as ratio drops. Less than 65% is risky)</i>				
Debt Service Ratio:				
		Before	New Loan	After
<u>Debt (P & I) + Rental Payments</u>	=	<u>36,816</u>		<u>39,729</u>
Accrued Farm Income		138,631		138,631
<i>(Risk increases as percentage increases)</i>				.27 .29
Fixed Payment to Land Ratio:				
		Before	New Loan	After
<u>Debt (P & I) + Rental Payments</u>	=	<u>36,816</u>		<u>39,729</u>
Total Cultivated Acres Farmed		1,252		1,252
<i>(Risk increases as ratio increases)</i>				29.41 31.73
Equipment Investment Ratio:				
<u>Value of Equipment Owned</u>	=	<u>211,400</u>		\$168.85
Total Cultivated Acres Farmed		1,252		
<i>(Should not exceed \$180 - \$220/Cultivated Acre)</i>				

Ratio Analysis: Figures to calculate Current Debt Coverage, Intermediate Term Debt Coverage, Long Term Debt Coverage, Long Term Solvency and Equity to Value Ratio are found on the Summary Net Worth Statement (Page 2).

Debt Service Ratio: Debt payments can be taken from Page 27 (Debt Requirements) Rental Payments can be taken from Page 22 (Land Rental) Accrued Farm Income can be taken from Page 25.

Fixed Payment to Land Ratio: The debt and rental payments can be taken from the previous ratio. The Total Cultivated Acres can be taken from Page 4.

Equipment Investment Ratio: The Value of Equipment Owned can be taken from Page 4 (Present Value Total) The Cultivated acres can be taken from the previous ratio.

Comments

1. Management: Comment on experience, strengths and weaknesses.

2. History: Comment on the history of the farm and the operation. Describe education, training, etc.

3. Farm Operation: Describe present and proposed farm operation with details such as facilities, crop rotations, marketing, etc.

4. Financial: Net Worth Statement - Comment on strengths/weaknesses in this statement, credit check information, etc.

Past Income Statement - Comment on any unusual aspect of past income/expenses, i.e. crop failures, unusual expenses. etc.

Comments: This area is designed to be used for additional comments by your lender. However, it may be used to provide any additional relevant information.

Projected Income Statement - Comment on how this relates to past performance, etc.

5. Security: Comment on nature of security, adequacy and if inspected.

6. General: Include any other comments or information to support your recommendation.

7. Recommendation and Conditions: Provide recommendation together with special conditions.

Date

Loans Officer

Annual Farm Update

In order to help you assess your financial needs for the upcoming year, it is necessary to have an accurate financial statement as of December 31, _____. Please complete the following form and return it by _____.

NAME: _____

DATE: _____

A. GRAIN INVENTORY (all crops)

Crop Type	Grade	Amount	Price/Bushel	Estimated Current Value
TOTAL				

B. LIVESTOCK INVENTORY

1. Market Inventory

Type	Number	Current Weight and Price	Selling Weight Price and Date	Estimated Current Value
TOTAL				

2. Breeding Herd

Type	Number	Breed	Estimated Current Value
TOTAL			

C. OTHER CURRENT ASSETS (cash, receivables, term deposits, RRSPs, fertilizer, chemicals, etc.)

Type	Amount	Current Value
TOTAL		

Annual Farm Update: In situations where the complete Net Worth information (Pages 2 - 9) is not completed or an update to existing information is required, this "Annual Farm Update" can be used. The information provided on this form should reflect the situation as of December 31st (or January 1st). All inventory values should be as of that date. All changes in Liabilities should be noted with special attention on Current Debt (ie. operating loans, accounts payable, etc.)

Actual or anticipated Capital Sales/Purchases should also be noted as with changes in lease land or lease agreements.

D. LIABILITIES

(a) Current (operating loans, past due taxes or rent, cash advances, accounts payable, etc.)

Creditor	Purpose	Due Date	Amount Owing
TOTAL			

(b) Intermediate (1 – 10 years)

Creditor	Purpose	Payments/Dates	Amount Owing
TOTAL			

(c) Long Term (over 10 years)

Creditor	Purpose	Payments/Dates	Amount Owing
TOTAL			

E. CAPITAL SALES/PURCHASES

Intermediate (i.e. equipment)

Actual	Anticipated	Item	Sale Price	Purchase Price	Method		
					Cash/Trade In	New Borrowing	Anticipated Payments and Dates

Long Term (i.e. Land or Buildings)

Actual	Anticipated	Item	Sale Price	Purchase Price	Method		
					Cash/Trade In	New Borrowing	Anticipated Payments and Dates

F. ANTICIPATED ADDITION OR DELETION OF LEASE LAND/OR CHANGES IN CURRENT LEASE AGREEMENTS

Additions
Deletions
Changes in Lease Agreement