

Understanding the Importance and Types of Income and Expense Statements





What does this list represent?

Hay Costs: \$800.00

Vet Bill: 200.00

Vaccinations: \$100.00

Miscellaneous supplies: 100.00



What does this list represent?

- Sold old 1200 lb cow for \$0.70/lb
- Sold 5 - 600 lb calves for \$100/cwt
- Sold ½ ton of hay for \$50.00/ton
- Sold 2,000 lb bull for \$0.40/lb



What is an expense statement?

- Expense statement = record of all ***current*** expenditures of a business
- Record should be kept of all cash and non-cash items in order to see the real expenses of a business
- Feed expenses and non-feed expenses should be kept separate

What are cash expenses?

- ***Current*** expenses which are paid for with money
 - Cash
 - Check
 - Any other form of payment that involves payment of debt with money

What are non cash expenses?

- ***Current*** expenses = paid for by working off debt
- Example: You work for a neighbor and they pay for your labor with the exchange of hay for your cows
 - You paid off your debt or expense with labor.

What is an income statement?

- Record of all ***current*** income received by a business
 - May be defined as a cash sale
 - Value of products used at home
 - Value of production transferred or bartered
 - Value of ag labor exchanged for non-cash operating expenses

What is a cash sale?

- Cash sale = you sell a product and receive money for it in the form of cash, check, or other suitable means of transferring money
- ***Current income*** only
- Anything that has a useful life of less than one year will be reported here

What is the Value of Products Used at Home?

- Business owner uses a **current** product produced by a business at home
- Doesn't have to pay for it otherwise
- The business owner should give themselves credit for the product as they don't have to go to a store to buy it elsewhere
- Example would be when a rancher puts one of their steers in the freezer at home. That steer has a value and the rancher does not have to buy meat at the grocery store. This is a form of income.

What is the Value of production transferred or bartered?

- **Current** income that is reported when a product has been transferred out of one enterprise to another enterprise
- Example if a student has a market hog SAE and a swine production SAE and decides to keep these records separate for the purpose of making sound business decisions this column will usually be used. If a student is producing show hogs in the swine production SAE, but also has a fair project with separate records that needs to be purchased from the swine production SAE

What is the Value of Ag Labor Exchanged for Non-Cash Operating Expenses?

- ***Current*** income received in the form of supplies (expenses) used in a business
- Example: A student works for their parents or neighbors on a farm or ranch and doesn't receive payment but gets feed and supplies in exchange for their labor in their SAE, this column may be used.

What are capital transactions?

- ***Non current*** income and expense items
- Example if a student buys a cow this is where the expense goes. If a student sells a cow out of their non-current inventory this is where the income goes.



What is a Depreciable Capital Sale or Purchase?

- This is a sale or purchase of a **non-current** product that is not raised by you but you paid for
- Example, a bull you purchased from a pure breeder.

What is a Non Depreciable Capital Sale or Purchase?

- Sale or purchase of a **non-current** product that is raised by you that you did not purchase
- Example a cow that you raised and need to cull

Hands on Example

- 1/1 – Paid for hay for cows out of checking account: 4000 lbs for \$60/ton.
- 1/15 – Mineral block - \$6.00
- 1/17 – Sold home raised cow # 10 for \$0.73/lb she weighed 1000 pounds.
- 1/17 – Bought 600 lb heifer for \$105/cwt
- 1/18 – Bought 4 calves to background will sell in March: \$2000.00
- 1/30 – Vet came out to stitch heifer: \$150.00
- 2/15 – Bought 10 sacks of grain for cows @ 7.00 each
- 2/20 – Bought 700 pound heifer for 98.00/cwt
- 3/15 – Bought bull for \$2500.00
- 3/18 – Bought O.B. chains with handle: \$15.00
- 3/20 – Bought 2 bags of colostrum: \$5.00 each
- 3/30 – Bought vaccination supplies: \$150.00
- 3/30 – Sold back grounding calves: \$3,500.00
- 4/15 – Bought ear tags: \$10.00
- 4/20 – Bought 1 ton of hay for \$70/ton
- 5/15 – Bought Semen for Breeding: 10 straws for \$15.00 each
- 6/1 – Bought synchronization medicine: \$200.00
- 6/15 – Pasture 10 head for \$15.00 ea
- 7/15 – Pasture 10 head for \$15.00 ea
- 8/15 – Pasture 10 head for \$15.00 ea
- 9/15 – Pasture 10 head for \$15.00 ea
- 10/15 – Pasture 10 head for \$15.00 ea
- 11/1 – Sold 3 calves weighing 500 lbs ea for \$115.00/cwt
- 12/15 – Bought 2 tons of hay for \$90.00/ton