

Rural Entrepreneurship & Business Development Update



SOUTHERN
RISK MANAGEMENT
EDUCATION CENTER

Computer Training and Record Keeping

Without a proper understanding of record keeping and its current and future implications, the farm operator will not make it very far in today's business environment.

While you may not have control over the weather and only limited ability to manage diseases and insects, you have the power and the responsibility to monitor the farm's financial performance.

The first and most important step in taking control of your farm operation's financial well-being is to keep good and accurate financial records. Do you want to know where your business is going? Do you want to avoid jeopardizing your borrowing capacity? If so, then detailed and accurate financial record keeping is for you.

There are three main reasons farm operators should keep good financial records. First, good financial records are essential for reporting income tax returns. Without accurate records, a farmer can underpay or overpay on their taxes. This might get the farmer into trouble if there is an unexpected IRS audit of records.

Second, good records are essential in obtaining credit. "Bankers want to see a balance sheet, income statement and cash flow statement before they loan money to any business," he said.

Finally, accurate financial records along with production data are important in making decisions about the farm enterprise. Having the information contained in an accurate record-keeping system helps a farm operator make decisions about how to farm more efficiently and profitably.

Keeping the following guidelines in mind when implementing or reviewing your financial record-keeping system:

- Keep it simple! If the record-keeping system is unnecessarily complicated, you are more likely to make mistakes.
- Maintain financial records that have the appropriate level of detail for the complexity of your business. A more complex farm operation requires a more detailed system.
- Make sure your records provide essential information on a timely basis.
- Consider including the following components when constructing your .

record-keeping system: (1) a business checking account to handle business transactions; (2) an income ledger by calendar month; (3) an expense ledger by calendar month; (4) an inventory ledger for physical counting and valuation; (5) a depreciation schedule for pro-rating original costs of assets; (6) a balance sheet to determine net worth; (7) an income statement to determine net profit or loss; (8) a cash flow statement to measure flow of funds.

Following these guidelines will deliver positive results for your farming business.

A number of software packages on the market can assist in implementing a financial record-keeping system. Examples include Quicken, PcMars, and the QuickBooks and Red Wing product lines. Most software packages range in price from \$30 to \$1,000. Products vary in price with the level of computing power of each package. Microsoft Excel may also be an option that you may already have installed on your computer.

Computer software can help you establish and organize your records; however, no program will do all of the work for you. Research the different options before deciding on the right system for your operation. Look for one that fits your specific farm operation. It should provide all the resources you need, not only financially but also managerially.

Reference: Weigel, Whitney. "Good Financial Records Keeping Vital for The Modern Farm Enterprise." *Farms.com*, 21 Feb. 2011, <http://www.farms.com/?tabid=189&newsid=39033>.

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Small Farms Research Center Background. The Small Farms Research Center was developed to assist small farmers with limited resources in Alabama's underserved communities. The center was first developed in 2000 to assist minorities, especially women, African Americans and underserved individuals improve their farm management practices, given ones condition and resources. The mission of the Center and the Small Farmers Outreach program is to assist all small and limited resources farms effectively deal with risk management and food safety issues and provide them with informational sessions. The Center has also expanded its outreach efforts to meet the needs of entrepreneurs and businessman. The center is located at Alabama A&M University in the Dawson Building. The center specializes in following areas

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| Marketing and Business Plans | -Record keeping and Loan Application |
| -Identify alternative enterprises | -Personal Management |
| -Legal Issues | -Finances |
| -International Business and Procurement | -Accounting Issues |
| -Taxes | -Business Development |
| -Conducting seminars on Government programs and other issues | |

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