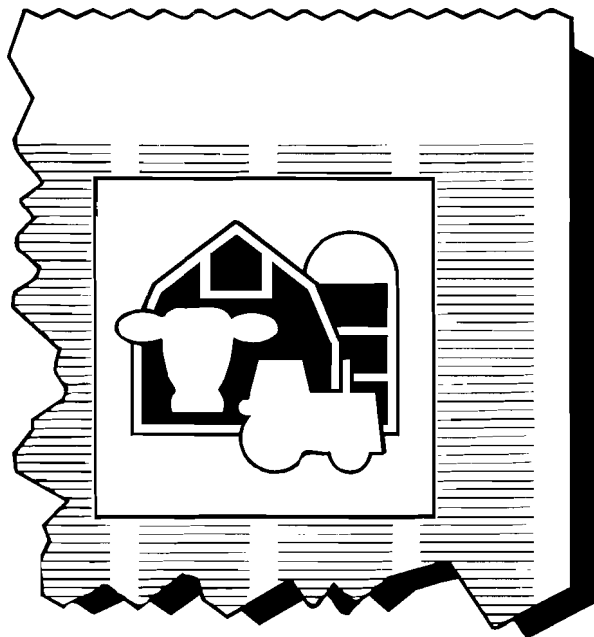


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FISA

A Complete Set of Financial Statements for Agriculture



by
Eddy L. LaDue

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Table of contents

	Page
Introduction	1
Basic menu structure	2
Case farm.....	4
Data entry	4
Balance sheets	5
Notes.....	6
Schedule B1-B3.....	6
Schedule B4-B6.....	7
Schedule B7-B8.....	7
Schedule B9.....	7
Schedule B10.....	8
Income statement.....	9
Schedule I1-I6	9
Schedule I7-I9	9
Statement of owner equity.....	9
Statement of cash flows.....	10
Schedule C1-C2.....	11
Schedule C3.....	12
Ratio analysis	12
Diagnostics	12
Printing statements	13
Using Change routines	13
Availability and warranties	14
Example set of financial statements	14

FISA

A Complete Set of Financial Statements for Agriculture

by
Eddy L. LaDue¹

This is a Lotus 1-2-3 version 4.0 for Windows spreadsheet for calculating financial statements for agriculture. It includes a beginning of year (end of last year) balance sheet, end of year (end of this year) balance sheet, income statement, statement of owner equity, statement of cash flows and ratio analysis. The program is designed to allow single entry of data, it automatically does the transposition of data from one statement to the next and does nearly all the calculations. Deferred taxes are automatically calculated and cash and equity reconciliation are conducted automatically through calculation of the Statement of Cash Flows and Statement of Owner Equity.

These statements are designed to be consistent with the recommendations of the Farm Financial Standards Council (FFSC). Thus, the statements include deferred taxes, base values for raised breeding livestock, the "sweet sixteen" financial ratios and the other characteristics embedded in the FFSC guidelines.²

The statements are intended for use with any type of farm business. Space is allowed for nonfarm assets and income because they are often important to lenders and others using the statements. However, the farm business part of the statement is separate from the nonfarm section so that nonfarm assets can be ignored if desired. Each of the four basic financial statements is presented on one page with detailed information on supporting schedules. Thus, the summary financial performance and position of a business can be found on five sheets of paper (including two balance sheets).

¹ Professor of Agricultural Finance, Department of Agricultural, Resource and Managerial Economics, Cornell University. The author has been a member and director of the Farm Financial Standards Council since its inception.

² Financial Guidelines for Agricultural Producers, Recommendations of the Farm Financial Standards Council (Revised), July 1995 or the 1997 revision to be published soon.

Basic Menu Structure

The program is menu driven. The main menu can be reached using Ctrl M (hold down control and press M). Main menu items are:

Beginning	Takes you to the beginning of year balance sheet and its schedules.
End	Takes you to the end of year balance sheet and its schedules.
Income	Takes you to the income statement and its schedules.
Owner	Takes you to the statement of owner equity.
Cash	Takes you to the statement of cash flows and its schedules.
Ratios	Takes you to the ratio analysis page
Print	Allows you to print individual statements or all of the statements.
Change	Allows you to: <ol style="list-style-type: none"> (1) move the end of year data to the beginning of year position (to conduct an analysis of the following year) (2) Clear the input data from all statements except the beginning of year balance sheet (to enter following year data). (3) Clear data from all statements (to start a new farm business). (4) Change the font on all of the input and calculated data to Script (to simulate hand writing on the form) or Airal (input data like the form).

The complete menu structure is shown on page three. Notice that the Change operations that involve erasing or moving input data, that could involve considerable work to replace if inadvertently eliminated, use a no/yes second step confirmation that the operation is to be conducted. Also, the default selection is "no" so that pressing the enter button too many times will not result in accidentally erasing data.

Beginning	End	Income	Owner	Cash	Ratios	Print	Change
-----------	-----	--------	-------	------	--------	-------	--------

Go to stmt.
of owner
equity

Go to
Ratio
Analysis

Balance	Notes	Machinery	Supplies	Leases	Debt	Taxes	Menu
Go to beg. yr. balance sheet	Go to beg. year notes	Go to beg yr. sch. B1-B3	Go to beg. yr. sch. B4-B6	Go to beg. yr. sch. B7-B8	Go to beg. yr. sch. B9	Go to beg. yr. sch. B10	Return to main menu

Balance	Notes	Machinery	Supplies	Leases	Debt	Taxes	Menu
Go to end yr. balance sheet	Go to end year notes	Go to end yr. sch. B1-B3	Go to end yr. sch. B4-B6	Go to end yr. sch. B7-B8	Go to end yr. sch. B9	Go to end yr. sch. B10	Return to main menu

		Income	Revenue	Expense	Menu		
		Go to Income Statement	Go to Schedule I1-I4	Go to schedule I5-I9	Return to main Menu		

			Cash Flow	Schedules	Menu		
			Go to Cash Flow Statement	Go to Sch. C1-C3	Return to main menu		

Beginning	End	Income	Owner	Cash	Ratios	All	Menu
Print beg. yr. balance sheet	Print end yr. balance sheet	Print income statement	Print statement of owner equity	Print statement of cash flows	Print ratio analysis	Print all statements	Return to main menu

	Menu	Clear	Script	Arial	Transfer
--	------	-------	--------	-------	----------

Return
to main
menu

Menu End All

Change
entries
to
Script
font

Change
entries
to
Arial
font

No	Yes
Return to change menu	Move end data to beg yr. BS

Return
to change
menu

No	Yes
Return to change menu	Clear all except beg. BS

No	Yes
Return to change menu	Clear all entries

The spreadsheet layout is shown below. The entry in the top box indicates the cell address of the upper left hand cell of the statement described in the box below it. That is, the beginning of year balance sheet is located at cell a1.

Beginning of year balance sheet -----							Income statement			Statement of Owner Equity	Statement of Cash Flows	Ratios	Diag- nos- tics	
a1	n1	u1	ac1	ak1	aw1	bi1	bt1	cf1	cq1	dc1	do1	dz1	ej1	et1
beg	note	B1 -	B4 -	B7 -	B9	B10	IS	I1 -	I5 -	OE	Cash	C1-	ratio	Diag
B.S.		B3	B6	B8				I4	I9		Flow	C3		nos tics

End of year balance sheet -----						
a80	n80	u80	ac80	ak80	aw80	bi80
end	note	B1 -	B4 -	B7 -	B9	B10
B.S.		B3	B6	B8		

Case Farm

To illustrate the forms used, financial statements for a case farm are presented at the end of this publication. The farm is owned by Ives and Elvira DeChaunac and the primary enterprise is grapes. A small beef herd is also maintained. The grapes are marketed through a juice cooperative so that receipts for any year's crop are received over the following three years and part is in the form of revolving certificates.

Data Entry

The balance sheets assume end of year values are entered. That is, for any calendar year's calculations, the beginning of year balance sheet will be as of December 31 of the prior year.

Entry of data is accomplished by going to the various sections of the statements and entering data in the appropriate locations. Each page of forms can be reached by appropriate selection using the menu. The menu drops you at the top left corner of the selected statement or page of schedules.

Enter data only in unprotected cells. These cells will usually appear in blue or, at least, some color other than black. Protected cells contain equations for calculation of data or transfer of data from another section of the schedules and statements.

Unprotecting a cell and entering data will wipe out the equation for all future uses of the program. The fact that unprotected cells are in color makes it easier to check to see if all required data have been entered.

It is recommended that the schedules for each statement be completed before the statement itself. The program assumes that the schedules will be used. Data from the schedules are automatically summarized and transferred to the statements. For example, a person who wants to enter the total machinery inventory as two values, total market value and total cost (tax basis) value, must enter these items on schedule B2. An entry similar to that found for “all remaining machinery” for the example farm could be used for all machinery.

Completion of statements in the following order makes the data transferred from prior statements easier to understand and allows checking data for consistency as the entry process proceeds: (1) beginning of year balance sheet, (2) end of year balance sheet, (3) income statement, (4) statement of owner equity, (5) statement of cash flows, and (6) ratio analysis. In completing each statement, complete the schedules first and then complete the statement itself.

Balance sheets

The balance sheet is what is often referred to as a “two column” balance sheet. It contains both a market value and cost value assessment of the financial position of the business. For the market value columns all values are entered at their market value minus any selling costs required to dispose of the assets. This balance sheet should be familiar to most people who work with agriculture, except that this statement does include deferred taxes, as recommended by the FFSC³.

The cost value balance sheet is generally consistent with GAAP (Generally Accepted Accounting Principles) procedures, except that raised breeding livestock are listed at base value. Capital assets are listed at their original cost less depreciation, i.e. their remaining tax basis. Current asset inventory items are listed at their market value unless they also have an original-cost-less-depreciation value. The market value and cost value of liabilities are usually the same, except that the cost value of liabilities does not include deferred taxes. Thus, a separate cost value column is not included except for the summary values.

For these balance sheets, it is assumed that only a few current assets will have a cost basis that is different from the market value. Both cost and market values of marketable stocks are entered on schedule B6. Space is provided to enter both cost and market values for hedging accounts. Some purchased livestock that are purchased to be sold will have three values: (1) the market value, (2) the cost value, which is equal to the market value, and (3) the tax basis. The tax basis is entered at the bottom of the value column. This will normally involve beef cattle purchased in one year to be sold in the next, for which the cost cannot be deducted for tax purposes until the year the animals are sold. For the case farm, a group of steers was purchased in 1995 for \$6,000, to be fed to

³ For definitions of terms, see the glossary found in the 1997 revision of Financial Guidelines for Agricultural Producers, Recommendations of the Farm Financial Standards Council to be published in late 1997 or early 1998.

slaughter weights and sold in 1996. The cost is entered as the “tax basis” and not included in the expenses for 1995. It is used as the tax basis for these animals in calculating deferred taxes.

In order for the statement of cash flows schedule C3 to accurately list and calculate the operating loan principal repaid, the individual loans entered as “notes payable” below the accounts payable section of the liabilities must be entered on the same line in both the beginning and end of year balance sheets. That is a loan entered on the first line of the notes payable on the beginning of year balance sheet should be entered on the same line on the end of year balance sheet. If a loan is paid off during the year, leave that line (the line that loan was entered on the beginning of year balance sheet) blank on the end of year balance sheet. A loan, such as an operating note, can be paid off and then reborrowed and still be entered on the same line of both balance sheets. This was the case for both the feeder cattle loan and bank operating line for the case farm.

Notes to the balance sheet should include any information about the business that would be important in understanding the financial position of the business that is not included elsewhere in the balance sheet. Items suggested to be included are the basis of accounting, the nature of the operation, operating leases and life insurance data⁴. For these statements, the basis of accounting could be handled with a statement such as “These financial statements are prepared in accordance with the Farm Financial Standards Council guidelines. Both market value and cost value evaluations of financial position are included and net income is calculated on an accrual adjusted basis.”

The nature of the operation refers to such things as number of acres farmed, types of crops or livestock produced, number of head of livestock raised, produced, milked, etc., form of business organization, and any nonfarm business activities.

Schedules B1 - B3 are used for listing the major farm assets. The degree of aggregation on the entries is up to the user. For example, all machinery could be entered on one line, or major items or groups of items could be listed separately.

Purchased breeding livestock are separated from raised breeding livestock (**schedule B1**). To allow separation of the change in raised breeding livestock inventory into that due to change in quantity from that due to change in price, the program places some restrictions on entry of raised breeding livestock description categories. Raised breeding livestock must have the same type of livestock description categories, and in the same order, in both the beginning and end of year balance sheet. Enter the complete list of livestock types on the beginning of year inventory. If there are no animals of a type in beginning of year inventory, leave the number of animals of that type blank or make it zero. The description categories will be automatically entered on the end of year balance sheet. Enter livestock numbers in the same manner for the end of year inventory. This procedure allows the program to automatically separate change in inventory into two

⁴ For a discussion of this issue, see the Disclosure by Notes section of the 1997 Guidelines for Agricultural Producers.

parts, (1) that due to quantity and (2) that due to price, for correct inclusion on the income statement.

For example, assume the case farm had no heifers in the beginning of year inventory. Heifers should still be entered in the beginning of year balance sheet with the number of animals set at zero or left blank. Then heifers will automatically be entered on schedule B1 for the end of year and the appropriate numbers can be included. If no base value is entered in the beginning of year schedule, the end of year value will be used on schedule I2 of the income statement.

A base value approximates the full cost of raising a breeding animal to its current stage in the life cycle. For example, the base value for bred heifers should be the approximate cost of raising an animal to the average age of the bred heifers.

Although the listing of real estate on schedule B3 can be as aggregated as desired, the owner occupied residences must be listed separately. Two lines are available for owner occupied residences. All owner occupied residences can be listed on one line, but the market value and cost value (tax basis) of such residences must be listed separately from the rest of the farm assets. This is required for the deferred tax calculations to be accurate, because owner residences with a gain of less than \$500,000 are not taxed.

Schedules B4 - B6 contain a mixture of farm and nonfarm assets. The nonfarm assets can be excluded if desired. Marketable securities owned by the farm business can be separate from those that are personal assets. The cost value of the case farm revolving certificates is the amount specified as income to the farmer at the time they were issued. The market value is the amount for which they could be sold or the present value calculated by discounting at the firms opportunity cost of capital.

Schedules B7 -B8 provide for input of nonfarm real estate and farm capital leases. Capital leases are valued at the present value of the remaining payments discounted at the implicit interest rate on the lease or the incremental borrowing rate for the farm. Lease payments are handled like loan payments.

Schedule B9 divides loans into notes, which are generally intermediate term loans, and mortgages and contracts, which are generally long term loans. In order for the statement of cash flows schedule C3 to accurately list and calculate the principal repaid, the individual loans entered on schedule B9 must be entered on the same line in both the beginning and end of year balance sheets. That is a loan entered on the first line of the notes on the beginning of year balance sheet should be entered on the same line on the end of year balance sheet. If a loan is paid off during the year, leave that line (the line that loan was entered on the beginning of year balance sheet) blank on the end of year balance sheet. There are line numbers at the left of schedule 9 that can be used to insure that a line is used for only one loan on both balance sheets. A loan, such as an operating line of credit, can be paid off and then reborrowed and still be entered on the same line of both balance sheets.

Schedule B10 provides for calculation of deferred taxes. For most farm situations, this calculation will be automatic and will require no input on the form. However, data can be entered on lines 3, 8, 15 and 36 to accurately handle the taxation of other assets or liabilities.

The tax rates used can be modified by using line 45 below schedule 10. Enter 0 here if deferred taxes are to be set to zero. Enter 1 for a high tax state. The rates used when 1 is entered come from New York State tax law. Enter a 2 if only Federal taxes are to be used. If desired, other tax rates, i.e. between Federal only and Federal plus New York State, can be entered in the table below schedule 10 on the beginning of year balance sheet.

A number of assumptions are used in calculating the deferred taxes. These assumptions include:

1. All gain on purchased breeding livestock is ordinary gain. This basically assumes that the animals are sold for an amount equal to, or less than, their purchase price. Capital gain would normally occur only when the animals were purchased at a very young age and for a few registered animals. For most working livestock farms, purchased animals that are sold will generate income less than their purchase price. All raised breeding livestock sales are assumed to result in capital gain.
2. Sale of all machinery would result in ordinary gain. Capital gain would occur only if a machine is sold for more than its purchase price, an unusual occurrence.
3. All real estate sales result in capital gain. Any gain on single purpose livestock structures and many other buildings would be ordinary gain to the extent of depreciation. However, such structures frequently do not result in any gain. Many buildings have a market value less than the remaining depreciation. Others will be assigned values that are below their true market value because the gain will be capital gain if assigned to the land part of the real estate. Establishing an appropriate market value for the various parts of real estate is difficult. With that difficulty, and the modest contributory value of most buildings, assigning a value that results in little taxable gain on buildings can often be justified.
4. Typical average deductions and exemptions are incorporated in the average tax rates. The tax rates used can be observed on the spreadsheet below schedule B10.
5. Any nonfarm assets and liabilities that are listed on the balance sheet are included in the tax calculations. This means that average tax rates may be higher for farm assets when nonfarm assets are listed.

Income Statement

The income statement calculates an adjusted accrual net income for the farm on a before and after tax basis. It also incorporates nonfarm income to obtain an after tax net income. Change in inventory items are calculated automatically from the balance sheet data for the beginning of the year (end of prior year) and end of year. The change in inventory values can be reviewed for reasonableness, which is a check on the data input in the balance sheets, as data are entered in the income statements.

Schedule I1 data are all calculated from the balance sheet data. **Schedule I2** is also calculated automatically as long as the raised livestock inventory data are entered as described for schedule B1. That is, the same descriptive categories for raised breeding livestock are used on both the beginning and end of year balance sheets.

Schedule I4 is designed for cash data, which are often taken from 1040F tax forms. Accrual adjustments are made from inventory values.

Schedule I5 is calculated automatically from balance sheet data. In entering interest expense data on **schedule I6**, be sure to include that portion of the lease payments that represent interest. See schedule B8 for information on the principal portion.

Place the sale of purchased breeding livestock on **Schedule I7**. The sale of raised breeding livestock is placed on lines 2a and 2b of the income statement.

Schedule I9 includes both farm and nonfarm income tax data. If nonfarm income are not included on the income statement, the nonfarm tax section can be ignored. If both farm and nonfarm income data are included, divide the total tax paid between farm and nonfarm according to the level of net income received from these two sources, or use any other dividing mechanism that is appropriate.

Statement of Owner Equity

The statement of owner equity reconciles the beginning and ending farm equity values. It also shows the amount of change in equity that is generated from the three possible sources: (1) retained earnings from business operation, (2) changes in contributed capital, and (3) changes in the value of assets owned by the business (valuation equity). All values for this statement are taken from other statements except:

1. Owner withdrawals. Enter the amount withdrawn from the business for family living expenses and nonfarm taxes. Only include an amount up to the estimated value of labor and management of the operators and unpaid family members. Any amount withdrawn from the business in excess of this should be included as a withdrawal of capital down under Other Distributions.

2. Capital contributions, gifts, inheritances received.
3. Capital distributions, dividends and gifts made from the business.
4. Other distributions including withdrawals in excess of the value of operator and family labor and management.

The calculated "Error" is the amount by which the equity of the business does not reconcile. If this number is large, it implies that some of the entered data are incorrect. One rule of thumb sometimes used is that this error should not be more than one percent of total gross receipts.

Statement of Cash Flows

The statement of cash flows provides a reconciliation of the cash used in the business during the year and provides a summary of the cash flows from operating activities, investment and financing. All of the data for this statement come from other statements and schedules except:

1. Cash nonfarm income. This will be the same as nonfarm income on the income statement (line e, sum of lines 15 - 18) unless some of the nonfarm income is not in the form of cash.
2. Cash received on sale of stock sold for breeding. This will be the sum of the raised animals sold for breeding found on line 2b of the income statement and that part of the sale of purchased animals listed on schedule I7 that represents the sale of livestock for breeding purposes. The rest of the purchased animal sales, that represent culled animals, is included on schedule C1.
3. Cash paid to purchase breeding stock. Do not include feeder livestock purchases on this line.
4. Cash paid to purchase machinery/equipment.
5. Cash paid to purchase real estate.
6. Cash paid to buy bonds and securities
7. Principal payments on lease obligations. Capital lease payments are treated like loan payments. The leases are listed on schedule B8. The interest portion of the payments is included on schedule I6. The principal portion is included here.

The Error line indicates the degree of inconsistency in the cash flows for the business. If all entries are consistent, the Error listed on this statement will exactly equal the Error listed on the Statement of Owner Equity. If this number is large, it implies that some of the entered data are incorrect. One rule of thumb sometimes used is that this error should not be more than one percent of total gross receipts.

Schedule C1 is used to summarize the cash received from production and government payments. All the data come from other statements except:

1. Cash received from the sale of culled breeding livestock. This will be the sum of the raised animals that have been culled from income statement line 2a and that part of the purchased animal sales listed on schedule I7 that represent the sale of culled animals. That part of the sales listed on schedule I7 that represents sale of animals for breeding should be included on the cash flow statement under cash received for the sale of stock sold for breeding.
2. Net cash from hedging. This includes the amount received from the hedging transactions listed on schedule I3 that was obtained in the form of cash.
3. Other cash payments received. This will normally equal the amount shown on line 9 of the income statement unless part of that income is not received in the form of cash.

Schedule C2 is automatically completed from data previously entered.

Schedule C3 is also completed from schedule B9 (if loans are properly listed the B9 schedules) of the balance sheets except for the column on new loan proceeds. Enter the loan proceeds received on new loans and refinancing of existing loans. If the loan listed on the end of year balance sheet schedule B9 is different from the loan listed on the same line on the beginning of year schedule B9, schedule C3 will take the loan description and beginning balance from the beginning of year schedule B9 and will take the end of year balance from the end of year schedule B9. In this case, the data transferred to schedule C3 will appear to be incorrect and/or inconsistent. If the data look incorrect, check the B9 schedules first.

Ratio Analysis

The ratio analysis form lists the “sweet 16” financial ratios as defined by the FFSC. The form is completed from data entered on other forms except for the following entries:

1. Assumed value of operator and family labor and management. Enter the opportunity cost of the operator and family’s labor and management. This is the income that could be earned by the operators of the business in their next best off-this-farm alternative.
2. Operating interest. Enter the amount of the total interest expense shown on schedule I6 that represents interest on operating capital rather than interest on term debt. Although the interest paid on term (noncurrent) debt represents funds that were available for term debt payments, interest on operating capital is an ongoing expense that must be made in addition to the payments required for term debt service.
3. Scheduled noncurrent debt and lease payments (beginning of year). This can be calculated from the data on schedules B8 and B9 of the beginning of year balance sheet and knowledge of the number of payments scheduled for the coming year.
4. Scheduled noncurrent debt and lease payments (end of year). This can be calculated from the data on schedules B8 and B9 of the end of year balance sheet and knowledge of the number of payments scheduled for the coming year.

If scheduled noncurrent debt and lease payments are not entered, the coverage ratio will list ERR, indicating an error. This results because the denominator of the ratio (debt payments) is zero. It will also list the repayment margin as being equal to the repayment capacity. This will, of course, be in error unless the scheduled noncurrent (term) debt payments are actually zero.

Limited **diagnostics** appear to the right of the Ratio Analysis schedule. The first set of diagnostics check the consistency of data input on capital assets, namely, machinery, purchased livestock, real estate and securities. For each of these asset categories, the beginning of year cost value, plus purchases, minus sales, minus depreciation, should equal end of year book value. If they do not, an error has been made in entry.

The second set of diagnostics checks the consistency of livestock sale entries. That is, it checks the division of the sale of purchased livestock between animals that are culled and animals sold for breeding to be sure that the entries on the income statement and cash flow statement are consistent.

Printing Statements

The print menu allows printing any of the individual statements, including schedules, or printing all statements. Some statements and groups of schedules are longer than a normal page if printed at full size (statements and schedules are generally designed so that the entire width of the statement can be seen on normal screens for ease of entry of data and schedules are grouped to keep the number of pages to a reasonable minimum.) However, each statement or collection of schedules is printed on a single page. Thus, for some pages, the right side of the page is not used.

Using CHANGE Routines

The Change menu allows manipulation of data to make preparation of statements easier, less error prone and easier to read. The alternatives are:

1. **Clear, End.** This clears all the entered data from all statements except the beginning of year balance sheet. That is, it clears the data from the end of year balance sheet, income statement, statement of owner equity, statement of cash flows and ratio analysis. This would normally be used after Transfer has been used to move end of year data to the beginning of year position in the spreadsheet. It is used to insure that no data from the prior year can contaminate the data being entered for the new year.
2. **Clear, All.** This clears all the entered data from all the statements. This would normally be used when the program is being prepared to construct financial statements for a new farm business. Since all the data are erased or set to zero, no old data from a prior farm can contaminate data entered for the new situation.
3. **Script.** This changes all of the data in the statements to Brush Script font. This can be used to make it appear as if the data for the statement were written on the forms. It clearly separates the data from the form.
4. **Arial.** This changes all the data in the statements to Arial font, the same font used in the forms.
5. **Transfer.** This moves the data in the end of year balance sheet to the beginning of year position. This procedure would normally be used when the data for a year, say 1997, are in the spreadsheet and the user wants to enter data for the next year, say 1998 for the same farm. Use of transfer allows entering next year's data without requiring reentry of last years end of year balance sheet as next year's beginning of year balance sheet.

Availability and Warranties

This program was developed by, programmed by and available from

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Ithaca, NY 14850

No warranties, guarantees or service are provided. However, the author would appreciate receiving information on any errors observed in the program or suggestions for improvement.

Example Set of Financial Statements

The following pages contain a complete set of financial statements for the case farm.

Balance Sheet - End of Last Year (Beginning Balance)

Name Ives and Elbra DeChauxac

as of 12/31/95

Address 1234 Niagara Creek Road, Concord, New York 98765-4321

Assets					Cost Value	Market Value	Liabilities		Market Value	
Cash, checking & savings accts.					6000	6000	Accounts payable:			
Marketable stock, bonds (B6)					0	0	Labor 0 Feed 0			
Hedging account equity					0	0	Repair 1200 Fert. 2000			
Accounts receivable					62500	62500	0 0			
Livestock & poultry to be sold:							Chem. 3200 Fuel 1200		7600	
Kind	no.	ave.#	\$/unit	Value			Notes payable within 12 mo			
R. feeders	21	600	0.65	8,190			Wyoming Co. Bank feeders 9/15, 9.5%		6000	
P. feeders	20	580	0.65	7,540			Wyoming Co. Bank operating 8/1, 9.5%		30000	
R. finish	3	1075	0.6	1,935					0	
				0			Principal portion of longer term debt due within 12 mo.			
				0	17665	17665	Noncurrent debts: notes (sch. B9) mortgages		13836	
				0			Capital leases (sch. B8)		3849	
				0			Estimated accrued interest on:		2080	
				0			Accts 24 Notes 1354			
				0			Noncurrent liab(B9)		1592	
				0			Capital leases (B8)		3078	
				0			Estimated accrued taxes:			
				0	21000	21000	Real estate & property tax		0	
				0			Employer payroll withhold		0	
				0			Accrued rent & lease pmts.		100	
				0			Advance gov't receipts		0	
				0			Other		0	
				0			Deferred taxes (current portion - Sch. B10)		36368	
				0			Accrued farm income & S.S tax		150	
				0			Total Current			
				0			Cost Value			
				0	118484	118484	Farm Liabilities		66693	
				0					103061	
Noncurrent Farm Assets							Noncurrent Farm Liabilities			
Notes and accounts receivable					0	0	(Principal due beyond 12 mo.)			
Breeding stock: purchased					4520	5200	Notes payable (Sch. B9)			42770
raised					38100	40500				0
Machinery (sch. B2)					43335	91200	Mortgages & Contracts (Sch. B9)			59125
Livestock leases (sch. B9)					0	0				0
Machinery leases (sch. B9)					0	0				0
Building leases (sch. B9)					11229	11229	Leases (Sch. B8)			9149
Cooperative investment (sch. B6)					136020	78840	Deferred taxes (noncurrent portion - Sch. B10)			2166
Farm real estate (sch. B3)					153525	175000				
Contracts receivable					0	0				
Other					0	0	Total Noncurrent			111044
Total Noncurrent Farm Assets					386729	401969	Total Farm Liabilities			177737
Total Farm Assets					505213	520453	Farm Owner Equity			327476
Total Farm Assets					505213	520453	Total Farm Assets			304182
Nonfarm Assets:							Nonfarm Liabilities:			
Current:					0	0	Current:			0
Marketable stock, bonds(B6)					33750	37350				0
Other					0	0	Noncurrent:			0
Noncurrent:					0	0				0
Retirement accounts					0	97500	Deferred tax: nonfarm (B10)			36642
Cash value of life ins.						0	Accrued nonfarm income & s.s. tax			0
Vehicles & household (B5)						13000	Total Nonfarm Liabilities			36642
Nonfarm R.E. (Sch B7)					24000	55000	Total Liabilities			252913
Other					0	0	Owner Equity			470390
Total Nonfarm Assets					57750	202850	Total Liab.&Owner Equity			723303
Total Assets					562963	723303				

Notes to Balance Sheet

12/31/95

Operating Leases and Real Estate Rentals:

Description of Property	Acres	Landlord/Lessor	Type of Lease	Expires	Rent
Niagara grapes	2	Pauline Zahais	year-to-year		100

Life Insurance:

Insurance Company	Beneficiary	Type of Policy	Face Value	Cash Value
Met Life	Pauline	Term	500,000	0
Met Life	Ives	term	500,000	0

Other Notes:

These balance sheets include both cost and market values prepared in accordance with the Farm Financial Standards Council recommendations.

The income statement is prepared on an accrual adjusted basis.

The farm business is a grape farm with a small beef operation (83 acres of grapes and 40 beef cows).

The market used for the grapes is National Grapes, a cooperative. Grapes are paid for over a 22 month period, which includes three accounting years. The first payment (referred to as a cash advance) is received in the year of harvest. Payments are received as six payments in the next two calendar years. Accounts receivable for grapes sold in the statement year are estimated using prices paid by competing processors. Receivables for the prior year grapes are estimated using the estimate made in the prior year minus payments received during the year for those grapes.

Part (approximately 20 percent) of the receipts for the sale of grapes are received in the form of revolving certificates with a 20 year maturity, but which are normally redeemed in 6.5 years. These certificates are not interest bearing. The market price for these certificates is \$0.30 per \$1 at the time of issue. This implies a 20 percent annual discount rate. Market values of certificates are estimated using the 20 percent discount rate. Permanent stock is discounted to 80 percent of cost to reflect the fact that payment for such stock would be received over five years if the business ceases.

Schedule B1 - Breeding Stock 12/31/95

		Market Value		Cost Value (undepreciated balance)	
Number	Description (type, age)	\$/Unit	Total	Cost (tax basis) per unit	Cost Value
Purchased Animals:					
3	Cows (avr. '93, 1000 each)	900	2700	XXXXXXX	1500
1	Bull (Horatio)	1000	1000	XXXXXXX	1400
1	Bull (Estee)	1500	1500	XXXXXXX	1620
			0	XXXXXXX	0
			0	XXXXXXX	0
			0	XXXXXXX	0
			0	XXXXXXX	0
Total Purchased Animals:		XXXX	5200	XXXXX	4520
Raised Animals:					
		Base value/Unit			
59	Cows	900	35100	XXXXXXX	33150
9	Heifers	600	5400	XXXXXXX	4950
			0	XXXXXXX	0
			0	XXXXXXX	0
			0	XXXXXXX	0
Total Raised Animals		XXXX	40500	XXXXX	38100

Schedule B2 - Machinery, Equipment and Trucks

		Market Value		Cost Value (undepreciated balance)	
Item	Description	Market Value	Description	Cost Value	
Tractor	1977 Ford 5600	6600			0
Baler	1989 John Deere 538	6300	Purchased 1993 for \$8,200		5400
Sprayer	1993 Air Blast	5500	Purchased in 1993 for \$8,050		5175
	All remaining machinery	72800			32760
Total		91200		Total	43335

Schedule B3 - Farm Real Estate

Owned: Description	Acres	Orig. Cost	Accum. Depr.	Cost Value	Est. Mkt. Val.
Parcel 1 Home Farm					160000
Residence 1 (owner occupied)		35000	0	35000	80000
Land	157	47000	0	47000	
Buildings		10000	10000	0	
Improvements					
Plantings	47	12000	12000	0	
Concords	16	18000	12600	5400	
All other owner occupied residences					
Frederonia Farm	94	56000	0	56000	95000
Plantings (concords)	13	5700	5510	190	
Concords (bearing 1994)	3	5100	765	4335	
Niagara (planted 1994)	4	5600		5600	
Total		194400	40875	153525	175000

Schedule B7 - Nonfarm Real Estate

12/31/95

Description	Title in Name	Date Acq	Cost/Basis	Accum. Depr	Cost Value	Mkt. Value
Lake Cottage	Elvira		24000	0	24000	55000
Total			24000	0	24000	55000

Schedule B8 - Capital Leases

Description of Item	Assumed Interest Rate	Payment		No. of Payments		Current Principal Balance	Accrued Interest	Portion of Principal	
		Amount	Date	Remaining on Lease	Per Year			Due with 12 months	Due beyond 12 months
Livestock:									
Total Livestock						0	XXXX	XXXX	XXXX
Machinery									
Total Machine						0	XXXX	XXXX	XXXX
Buildings									
Telmark Inc.	11.5	272	1st	53	12	11229	108	2080	9149
Total Buildings						11229	XXXX	XXXX	XXXX
Total All Leas							108	2080	9149

Schedule B9 - Noncurrent Liabilities

12/31/95

To Whom	Purpose and/or Security	Interest Rate	Payment		Current Principal Balance	Accrued Interest	Due within 12 months	Due beyond 12 months
			Amount	Date				
Notes:								
<i>Key Bank</i>	<i>Machinery</i>	9.5	1344	5th	50713	343	11816	38897
<i>John Deere Credit</i>	<i>Tractor</i>	11	214	10th	5893	37	2020	3873
Total Notes						XXXX	13836	42770
Farm RE Mortgages and Contracts:								
<i>WNY Farm Credit</i>	<i>Home Farm</i>	9	635	1st	55753	418	2712	53041
<i>Barry Fredonia</i>	<i>Fredonia Farm</i>	12	2003	211	7221	794	1137	6084
Total Real Estate Mortgages and Contracts						XXXX	3849	59125
Total All Noncurrent Liab.						1592	XXXX	XXXX

A. Deferred taxable income			
1. Market value of current assets			<u>118484</u>
2. Cash, checking & savings accounts	6000		
3. Other nontaxable current assets (if any)	(+)	<u>0</u>	
4. Total nontaxable current assets			(-) <u>6000</u>
5. Tax basis: Marketable stock		<u>0</u>	
6. Hedging account		<u>0</u>	
7. Livestock (feeder)		<u>6000</u>	
8. Tax basis of other current assets		<u>0</u>	
9. Total tax basis of current assets			(-) <u>6000</u>
10. Total taxable current assets			(=) <u>106484</u>
11. Accounts payable		<u>7600</u>	
12. Accrued interest	(+)	<u>3078</u>	
13. Accrued tax liability (deductible)	(+)	<u>0</u>	
14. Accrued rent & leases	(+)	<u>100</u>	
15. Other deductible current liabilities	(+)	<u>0</u>	
16. Total deductible current liabilities			(-) <u>10778</u>
17. CURRENT DEFERRED TAXABLE FARM INCOME			(=) <u>95706 a</u>
18. Total market value of noncurrent assets	(+)	<u>401969</u>	
19. Nontaxable residence	(-)	<u>80000</u>	
20. Other nontaxable noncurrent assets	(-)	<u>0</u>	
21. Total value of noncurrent taxable farm assets			<u>321969</u>
22. Cost (tax) basis of noncurrent farm assets	(+)	<u>386729</u>	
23. Tax basis of nontaxable residence	(-)	<u>35000</u>	
24. Cost basis of raised breeding livestock	(-)	<u>38100</u>	
25. Total tax basis of taxable noncurrent farm assets			(-) <u>313629</u>
26. TOTAL NONCURRENT DEFERRED TAXABLE FARM INCOME			(=) <u>8340</u>
27. Market value of farm real estate	(+)	<u>175000</u>	
28. Tax basis of farm real estate	(-)	<u>153525</u>	
29. Taxable income on residences (line 19 - line 23)	(-)	<u>45000</u>	
30. Raised breeding livestock	(+)	<u>40500</u>	
31. NONCURRENT FARM CAPITAL GAIN INCOME			(-) <u>16975</u>
32. NONCURRENT DEFERRED FARM ORDINARY INCOME			(=) <u>-8635 b</u>
33. Nonfarm stocks & bonds	(+)	<u>37350</u>	
34. Nonfarm real estate	(+)	<u>55000</u>	
35. Retirement accounts	(+)	<u>97500</u>	
36. Other taxable nonfarm assets	(+)	<u>0</u>	
37. Tax basis of nonfarm assets	(-)	<u>57750</u>	
38. TOTAL DEFERRED TAXABLE NONFARM INCOME			<u>132100</u>
39. NONFARM ORDINARY INCOME (net gain on retirement accounts)			(-) <u>97500 c</u>
40. NONFARM DEFERRED CAPITAL GAIN INCOME			(=) <u>34600</u>
41. TOTAL DEFERRED TAXABLE ORDINARY INCOME (a+b+c)			<u>184571</u>
42. Current deferred tax			
(line 17 <u>95706</u> x rate <u>0.38</u>)			<u>36368</u>
43. Noncurrent deferred tax			
(line 32 <u>-8635</u> x rate <u>0.28</u> (ordinary) <u>-2417</u>)			
(line 31 <u>16975</u> x rate <u>0.27</u> (c. gain) <u>4583</u>)			<u>2166</u>
44. Nonfarm deferred tax			
(line 39 <u>97500</u> x rate <u>0.28</u> (ordinary) <u>27300</u>)			
(line 40 <u>34600</u> x rate <u>0.27</u> (c. gain) <u>9342</u>)			<u>36642</u>

Balance Sheet - End of This Year (Ending Balance)

Name Ines and Elvira DeChauzac

as of 12/31/96

Address 1234 Niagara Creek Road, Concord, New York 98765-4321

Assets					Cost Value	Market Value	Liabilities	Market Value
Cash, checking & savings accts.					7200	7200	Accounts payable:	
Marketable stock, bonds (B6)					19740	20020	Labor <u>0</u> Feed <u>0</u>	
Hedging account equity					0	0	Repair <u>1400</u> Fert. <u>2500</u>	
Accounts receivable					77824	77824	<u>0</u> <u>0</u>	
Livestock & poultry to be sold:							Chem. <u>3500</u> Fuel <u>400</u>	7800
Kind	no.	ave.#	\$/unit	Value			Notes payable within 12 mo	
R. Feeders	22	600	0.6	7,920			Wyoming Co. Bank feeders 10/15, 9, 25	6480
P. Feeders	24	590	0.6	8,496			Wyoming Co. Bank operating 10/1, 9, 0	28000
R. Finish	4	1050	0.58	2,436				
				0			Principal portion of longer	
				0	18852	18852	term debt due within 12 mo.	
Tax basis							Noncurrent debts: notes	19718
							(sch. B9) mortgages	4240
Crops and feed:							Capital leases (sch. B8)	2332
Item	Quant.	Unit	\$/Unit	Value			Estimated accrued interest on:	
Hay	155	tons	95	14725			Accts <u>42</u> Notes <u>755</u>	
Corn sil	300	tons	25	7500			Noncurrent liab(B9) <u>1598</u>	
				0			Capital leases (B8) <u>88</u>	2483
				0			Estimated accrued taxes:	
				0	22225	22225	Real estate & property tax	0
Cash invest. in growing crops:							Employer payroll withhold	300
Crop	Acres	\$/Unit		Value			Accrued rent & lease pmts.	100
Wheat	45	45		2025			Advance gov't receipts	0
				0	2025	2025	Other	0
Supplies (sch. B4)					10300	10300	Deferred taxes (current	
Prepaid expense					1500	1500	portion - Sch. B10)	46337
Other					0	0	Accrued farm income and S.S tax	2950
Total Current Farm Assets					159666	159946	Total Current	74403
							Farm Liabilities	120740
Noncurrent Farm Assets							Noncurrent Farm Liabilities	
Notes and accounts receivable					0	0	(Principal due beyond 12 mo.)	
Breeding stock: purchased					6110	7500	Notes payable (Sch. B9)	57970
raised					40350	42400		0
Machinery (sch. B2)					67835	105300	Mortgages: farm R.E. (B9)	54885
Livestock leases (sch. B9)					0	0		0
Machinery leases (sch. B9)					0	0		0
Building leases (sch. B9)					9149	9149	Leases (Sch. B8)	6817
Cooperative investment (sch. B6)					139320	81540	Deferred taxes (noncurrent	
Farm real estate (sch. B3)					152625	175000	portion - Sch. B10)	-148
Contracts receivable					0	0		
Other					0	0	Total Noncurrent	119672
Total Noncurrent Farm Assets					415389	420889	Total Farm Liabilities	194075
Total Farm Assets					575055	580835	Farm Owner Equity	380980
Nonfarm Assets:							Nonfarm Liabilities:	
Current:					0	0	Current:	0
Marketable stock, bonds(B6)					33750	66150		0
Other					0	0	Noncurrent:	0
Noncurrent:					0	0		0
Retirement accounts					0	117400		0
Cash value of life ins.							Deferred tax: nonfarm (B10)	5164
Vehicles & household (B5)						10000	Accrued nonfarm income & s.s. tax	150
Nonfarm R.E. (Sch B7)					24000	55000	Total Nonfarm Liabilities	51314
Other					0	0	Total Liabilities	291578
Total Nonfarm Assets					57750	248550	Owner Equity	537807
Total Assets					632805	829385	Total Liab.&Owner Equity	829385

Notes to Balance Sheet (end of year)

12/31/96

Operating Leases and Real Estate Rentals:

Description of Property	Acres	Landlord/Lessor	Type of Lease	Expires	Rent
Niagara grapes	2	Pauline Zaharis	year-to-year		100

Life Insurance:

Insurance Company	Beneficiary	Type of Policy	Face Value	Cash Value
Met Life	Pauline	Term	500,000	0
Met Life	Joes	Term	500,000	0

Other Notes:

These balance sheets include both cost and market values prepared in accordance with the Farm Financial Standards Council recommendations.

The income statement is prepared on an accrual adjusted basis.

The farm business is a grape farm with a small beef operation (83 acres of grapes and 40 beef cows).

The market used for the grapes is National Grape, a cooperative. Grapes are paid for over a 22 month period, which includes three accounting years. The first payment (referred to as a cash advance) is received in the year of harvest. Payments are received as six payments in the next two calendar years. Accounts receivable for grapes sold in the statement year are estimated using prices paid by competing processors. Receivables for the prior year grapes are estimated using the estimate made in the prior year minus payments received during the year for those grapes.

Part (approximately 20 percent) of the receipts for the sale of grapes are received in the form of revolving certificates with a 20 year maturity, but which are normally redeemed in 6.5 years. These certificates are not interest bearing. The market price for these certificates is \$0.30 per \$1 at the time of issue. This implies a 20 percent annual discount rate. Market values of certificates are estimated using the 20 percent discount rate. Permanent stock is discounted to 80 percent of cost to reflect the fact that payment for such stock would be received over five years if the business ceases.

Schedule B1 - Breeding Stock 12/31/96

		Market Value		Cost value (undepreciated balance)	
Number	Description (type, age, wt)	\$/Unit	Total	Cost (tax basis) per unit	Cost Value
Purchased Animals:					
1	Cow (par. '93, \$1000)	900	900	XXXXXXX	300
4	Bred heifers (par. '96, 800)	900	3600	XXXXXXX	680
1	Bull (Eustus)	1000	1000	XXXXXXX	1220
1	Bull (Augustus)	2000	2000	XXXXXXX	1870
			0	XXXXXXX	0
			0	XXXXXXX	0
			0	XXXXXXX	0
Total Purchased Animals:		XXXX	7500	XXXXX	6110
Raised Animals:					
		Base value/Unit			
41	Cows	900	36900	XXXXXXX	850
10	Heifers	550	5500	XXXXXXX	550
	0		0	XXXXXXX	0
	0		0	XXXXXXX	0
	0		0	XXXXXXX	0
Total Raised Animals		XXXX	42400	XXXXX	40350

Schedule B2 - Machinery, Equipment and Trucks

		Market Value		Cost Value (undepreciated balance)	
Item	Description	Market Value	Description	Cost Value	
Tractor	Case 74 Maxxum 5220	24000	Purchased 1996, \$28,000, 7yr. S.L 112	26000	
Baler	John Deere 348	11500	Purchased 1996, \$9,300 cash + 5,400 trade	13650	
Sprayer	1993 Air Blast	4200	Purchased 1993, \$8,505, 7yr. S.L 112	4025	
	All remaining machinery	65600		24160	
Total		105300		67835	

Schedule B3 - Farm Real Estate

Owned: Description	Acres	Orig. Cost	Accum. Depr.	Cost Value	Est. Mkt. Val.
Parcel 1 Home Farm					160000
Residence 1 (owner occupied)		35000	0	35000	80000
Land	157	47000	0	47000	
Buildings		10000	10000	0	
Improvements					
Plantings	47	12000	12000	0	
Concords	16	18000	13800	4200	
All other owner occupied residences					
Fredonia Farm	94	56000	0	56000	95000
Plantings (Concords)	13	5700	5700	0	
Concords (Bearing 1994)	3	5100	1275	3825	
Niagara (Planted 1994)	4	6600	0	6600	
Total		195400	42775	152625	175000

Schedule B7 - Nonfarm Real Estate

12/31/96

Description	Title in Name	Date Acq	Cost/Basis	Accum. Depr	Cost Value	Mkt. Value
<i>Lake Cottage</i>	<i>Elvira</i>		<i>24000</i>	<i>0</i>	<i>24000</i>	<i>55000</i>
Total			<i>24000</i>	<i>0</i>	<i>24000</i>	<i>55000</i>

Schedule B8 - Capital Leases

Description of Item	Assumed Interest Rate	Payment		No. of Payments		Current Principal Balance	Accrued Interest	Portion of Principal	
		Amount	Date	Remaining on Lease	Per Year			Due with 12 months	Due beyond 12 months
Livestock:									
Total Livestock						<i>0</i>	<i>XXXX</i>	<i>XXXX</i>	<i>XXXX</i>
Machinery									
Total Machine						<i>0</i>	<i>XXXX</i>	<i>XXXX</i>	<i>XXXX</i>
Buildings									
<i>Telmark Inc.</i>	<i>11.5</i>	<i>272</i>	<i>1st</i>	<i>41</i>	<i>12</i>	<i>9149</i>	<i>88</i>	<i>2332</i>	<i>6817</i>
Total Buildings						<i>9149</i>	<i>XXXX</i>	<i>XXXX</i>	<i>XXXX</i>
Total All Leases							<i>88</i>	<i>2332</i>	<i>6817</i>

Schedule B9 - Noncurrent Liabilities

To Whom	Purpose and/or Security	Interes	Payment		Current Principal Balance	Accrued Interest	Due within 12 months	Due beyond 12 months
			Amount	Date				
Notes:								
<i>Key Bank</i>	<i>Machinery</i>	<i>9.3</i>	<i>1824</i>	<i>5th</i>	<i>65227</i>	<i>430</i>	<i>16545</i>	<i>48682</i>
<i>John Deere Credit</i>	<i>Tractor</i>	<i>11</i>	<i>214</i>	<i>10th</i>	<i>3873</i>	<i>25</i>	<i>1620</i>	<i>2253</i>
<i>John Deere Credit</i>	<i>Baler</i>	<i>12</i>	<i>205</i>	<i>3rd</i>	<i>8588</i>	<i>76</i>	<i>1553</i>	<i>7035</i>
			Total Note			XXXX	19718	57970
Farm RE Mortgages and Contracts:								
<i>WMC Farm Credit</i>	<i>Home Farm</i>	<i>9</i>	<i>635</i>	<i>1st</i>	<i>53041</i>	<i>398</i>	<i>2967</i>	<i>50074</i>
<i>Barry Fredonia</i>	<i>Fredonia Farm</i>	<i>12</i>	<i>2003</i>	<i>211</i>	<i>6084</i>	<i>669</i>	<i>1273</i>	<i>4811</i>
Total Real Estate Mortgages and Contracts						XXXX	4240	54885
Total All Noncurrent Liab.						1598	XXXX	XXXX

A. Deferred taxable income			
1. Market value of current assets			159946
2. Cash, checking & savings accounts	7200		
3. Other nontaxable current assets (if any)	(+)	0	
4. Total nontaxable current assets			(-) 7200
5. Tax basis: Marketable stocks	19740		
6. Hedging account	(+)	0	
7. Livestock (feeders)	(+)	6480	
8. Tax basis of other current assets	(+)	0	
9. Total tax basis of current assets			(-) 26220
10. Total taxable current assets			(=) 126526
11. Accounts payable	7800		
12. Accrued interest	(+)	2483	
13. Accrued tax liability (deductible)	(+)	300	
14. Accrued rent & leases	(+)	100	
15. Other deductible current liabilities	(+)	0	
16. Total deductible current liabilities			(-) 10683
17. CURRENT DEFERRED TAXABLE FARM INCOME			(=) 115843 a
18. Total market value of noncurrent assets	(+)	420889	
19. Nontaxable residence	(-)	80000	
20. Other nontaxable noncurrent farm assets	(-)	0	
21. Total value of noncurrent taxable farm assets			340889
22. Cost (tax) basis of noncurrent farm assets	415389		
23. Tax basis of nontaxable residence	(-)	35000	
24. Cost basis of raised breeding livestock	(-)	40350	
25. Total tax basis of taxable noncurrent farm assets			(-) 340039
26. NONCURRENT DEFERRED TAXABLE FARM INCOME			(=) 850
27. Market value of farm real estate	(+)	175000	
28. Tax basis of farm real estate	(-)	158625	
29. Taxable income on residences (line 19 - line 23)	(-)	45000	
30. Market value of raised breeding livestock	(+)	42400	
31. NONCURRENT FARM CAPITAL GAIN INCOME			(-) 19775
32. NONCURRENT DEFERRED FARM ORDINARY INCOME			(=) -18925 b
33. Nonfarm stocks & bonds	66150		
34. Nonfarm real estate	(+)	55000	
35. Retirement accounts	(+)	117400	
36. Other taxable nonfarm assets	(+)	0	
37. Tax basis on nonfarm assets	(-)	57750	
38. TOTAL DEFERRED TAXABLE NONFARM INCOME			180800
39. NONFARM ORDINARY INCOME (net gain on retirement accounts)			(-) 117400 c
40. NONFARM DEFERRED CAPITAL GAIN INCOME			(=) 63400
41. TOTAL DEFERRED TAXABLE ORDINARY INCOME (a+b+c)			214318
42. Current deferred tax			
(line 17 115843 x rate 0.4)			46337
43. Noncurrent deferred tax			
(line 32 -18925 x rate 0.29 (ordinary) -5487)			
(line 31 19775 x rate 0.27 (c. gain) 5339)			-148
44. Nonfarm deferred tax			
(line 39 117400 x rate 0.29 (ordinary) 34046)			
(line 40 63400 x rate 0.27 (c. gain) 17118)			51164

INCOME STATEMENT

Name Tom and Elvira DeChannes
 Address 1254 Niagara Creek Road, Concord, New York 98765-4321

For 12 month period ending
12/31/96

Farm Revenue		
Crops & feed sold		
Cash sales	<u>105650</u> (1a)	
Inventory change (Sch I1)	<u>1225</u> (1b)	<u>106875</u> (1)
Raised breeding livestock		
Cash sales: culled animals	<u>2520</u> (2a)	
sold for breeding	<u>5500</u> (2b)	
Quant. Inven. change (Sch I2)	<u>2250</u> (2c)	
Gain/loss on sale of purchased breeding stock (Sch I7)	<u>-770</u> (2d)	<u>9500</u> (2)
Feeder hvstk. & poultry sold:		
Cash sales	<u>31445</u> (3a)	
Inventory change (Sch I1)	<u>1187</u> (3b)	<u>32632</u> (3)
Milk, eggs & other products:		
Cash sales		<u>0</u> (4)
Change in notes and accts. receivable (Sch I1)		
		<u>15324</u> (5)
Custom work: cash		<u>2370</u> (6)
Gov't payments and patronage dividends:		
Cash received	<u>1960</u> (7a)	
Change in adv. prmts. (Sch I1)	<u>0</u> (7b)	<u>1960</u> (7)
Income from hedging trans. (Sch I3)		<u>0</u> (8)
Other		<u>5550</u> (9)
Gross revenue (add lines 1 thru 9)		<u>174211</u> (a)
Farm Expenses		
Feeding hvstk. & poultry purch.	<u>6480</u> (10)	
Feed purchased	<u>4100</u> (11)	
Other cash oper. exp. (Sch I4)	<u>77700</u> (12)	
Accrual expense adj. (Sch I5)	<u>-2006</u> (13)	
Depreciation:		
Machinery & equipment	<u>12800</u> (14a)	
Fixed farm improvements	<u>1900</u> (14b)	
Purchased breeding stock	<u>1410</u> (14c)	
Portion of capital leases	<u>2080</u> (14d)	<u>18190</u> (14)
Total oper. exp. (add lines 10 thru 14)		<u>104464</u>
Interest exp. (Sch I6)		<u>15409</u>
Total expenses		<u>119873</u> (b)
Net income from farm operations		(a-b) <u>54338</u> (c)
Gain or loss on:		
Disposal of machinery and RE (Sch I7)		<u>2500</u>
Base value change (Sch I2)		<u>0</u>
NET FARM INCOME		<u>56838</u>
Farm income tax expense (sch. I9)		<u>12932</u>
AFTER TAX NET FARM INCOME		<u>43906</u> (d)
Nonfarm Income		
Operator & Spouses wage off farm (net of exp.)	<u>10315</u> (15)	
Interest and dividends	<u>675</u> (16)	
Gain (loss) on sale of nonfarm assets (Sch I8)	<u>0</u> (17)	
Other	<u>0</u> (18)	
NET NONFARM INCOME (add lines 15-18)		<u>10990</u> (e)
Nonfarm income tax expense (Sch I9)		<u>150</u> (f)
AFTER TAX NET NONFARM INCOME		(e-f) <u>10840</u> (g)
Income before extraordinary items		(d+g) <u>54746</u> (h)
Extraordinary items - net of tax (explain)		<u>0</u> (i)
NET INCOME		<u>54746</u>

SCHEDULE I1 - ACCRUAL REVENUE ADJUSTMENTS

12/31/96

	Transfer Totals from Balance Sheet		
	Beg. Inventory (-)	End Inventory (+)	Change (+ or-)
Notes & accts receivable	62500	77824	15324
Lvstk. & poultry to be sold	17665	18852	1187
Crops & feed	21000	22225	1225
Advance gov't receipts	0	0	0

SCHEDULE I2 - RAISED BREEDING LIVESTOCK INVENTORY CHANGE

(a)	(b)	(c)	(d)			
Description	Number End of Year	Base Vlu. Beg. of Year	End Vlu. w/o Base Change (bxc)	End of year cost value	40350	
				End cost w/o base change	40350	40350
Cows	41	850	34850	Beg. of year cost value		38100
Heifers	10	550	5500	Change due to quantity		2250
0	0	0	0	Change due to to base change	0	
0	0	0	0			
0	0	0	0			
				Total	40350	

SCHEDULE I3 - HEDGING TRANSACTIONS INCOME

Hedging account equity, from beginning balance sheet	- \$	0
Deposits during period	-	0
Withdrawals during period	+	0
Hedging account equity, from ending balance sheet	+	0
Income from hedging transactions	+	\$ 0

SCHEDULE I4 - OTHER CASH OPERATING EXPENSES (excluding interest, feed, li

Hired labor (including all SS and other taxes, and employee benefits)	\$	19100
Repairs - machinery & equipment		5900
Gas, fuel & oil		3900
Auto (farm share)		500
Custom machine hire		16800
Seed		500
Fertilizer & lime		4500
Chemicals		6400
Storage & custom drying		
Crop supplies & other crop expense		3200
Breeding expense		
Vet & medicine		1000
Livestock supplies & other livestock expenses		500
Marketing & transportation expense		400
Repairs - building & improvements		1800
Rents & leases		100
Taxes (real estate & personal property)		6100
Insurance (property, liability, crop)		3100
Utilities (farm share)		800
Miscellaneous		3100
TOTAL OTHER CASH OPERATING EXPENSES	\$	77700

SCHEDULE I5 - ACCRUAL EXPENSE ADJUSTMENTS

12/31/96

Transfer Totals from Balance Sheet

	Beg. Inventory	End Inventory	Change (+ or-)
ASSETS			
Cash invest. in growing crops	+\$ 1575	-\$ 2025	\$ -450
Supplies	+ 9000	- 10300	-1300
Prepaid expenses	+ 744	- 1500	-756
LIABILITIES			
Farm accounts payable	- 7600	+ 7800	200
Accrued property & RE taxes	- 0	+ 0	0
Accr. employer payroll whldgs.	- 0	+ 300	300
Accrued rent & lease pmts.	- 100	+ 100	0
TOTAL			\$ -2006

SCHEDULE I6 - INTEREST EXPENSE

Amount paid in cash or by renewal		\$ 14820
Interest portion of capital lease payments		1184
Accrued interest:		
Beginning of period	- 3078	
End of period	+ 2483	
Adjustment for change in accrued interest		+ -595
TOTAL INTEREST EXPENSE		\$ 15409

SCHEDULE I7 GAIN/LOSS ON**DISPOSAL OF MACHINERY, REAL ESTATE & PURCHASED BREEDING STOCK**

	Net Sale Price (+)	Original Cost Less Accum. Depr. (cost value) (-)	Gain or Loss (+ or _)
Securities & coop. investments.	+\$ 15500	-\$ 15500	\$ 0
Machinery & equipment	+ 2500	- 0	2500
Fixed assets	+ 0	- 0	0
TOTAL	+ 18000	- 15500	2500
Purchased breeding stock	+\$ 1630	-\$ 2400	\$ -770

SCHEDULE I8 - GAIN/LOSS ON SALE OF NONFARM ASSETS

	Net Sale Price (+)	Original Cost Less Accum. Depr. (cost value) (-)	Gain or Loss (+ or _)
Securities	+\$ 0	-\$ 0	\$ 0
Fixed assets	+ 0	- 0	0
Other	+ 0	- 0	0
TOTAL	+\$ 0	-\$ 0	\$ 0

SCHEDULE I9 - INCOME AND SELF EMPLOYMENT (SOCIAL SECURITY) TAXES

	Nonfarm	Farm
Amount paid in cash	\$ 0	\$ 163
Accrued income and SS taxes:		
Beginning of period	0	- 150
End of period	150	+ 2950
Change in accrued taxes	+ 150	+ 2800
Current portion of deferred taxes:		
Beginning of period		- 36368
End of period		+ 46337
Change in deferred taxes		+ 9969
TOTAL INCOME TAX EXPENSE	<u>150</u>	<u>12932</u>

STATEMENT OF OWNER EQUITY

Name	<i>Ives and Elvira DeChaunac</i>		For year ending	<i>12/31/96</i>
Address	<i>1234 Niagara Creek Road, Concord, New York 98765-4321</i>			
Farm owner equity, beginning of period				<u>304182</u>
After tax net farm income			<u>43906</u>	
Owner (Family living & nonfarm tax) withdrawals up to value of unpaid operator labor and mgt.		<u>31200</u>		
Nonfarm income	(-)	<u>10990</u>		
Net Owner withdrawals			(-) <u>20210</u>	
Retained earnings				(+) <u>23696</u>
Capital contributions/gifts/inheritance received			(+) <u>20000</u>	
Capital distributions/dividends/gifts made			(-) <u>0</u>	
Other distributions (withdrawals in excess of Labor & mgt.)			(-) <u>0</u>	
Total change in contributed capital				(+) <u>20,000</u>
	Market Value Minus Cost Value			
Item	Beginning Balance	Ending Balance	Change	
Marketable stocks & bonds:				
Farm	(-) <u>0</u>	(+) <u>280</u>		<u>280</u>
Breeding stock:				
Purchased	(-) <u>680</u>	(+) <u>1390</u>		<u>710</u>
Raised	(-) <u>2400</u>	(+) <u>2050</u>		<u>-350</u>
Machinery & equipment	(-) <u>47865</u>	(+) <u>37465</u>		<u>-10400</u>
Coop. stock	(-) <u>-57180</u>	(+) <u>-57780</u>		<u>-600</u>
Farm real estate	(-) <u>21475</u>	(+) <u>22375</u>		<u>900</u>
Noncurrent deferred taxes	(+) <u>2166</u>	(-) <u>-148</u>		<u>2314</u>
Total change in valuation equity				(+) <u>-7146</u>
Farm owner equity, end of period				(-) <u>340571</u>
Error				<u>161</u>
Equity components:				
Farm owner equity (end of period)				<u>340571</u>
Total valuation equity*		<u>5928</u>		(-) <u>5928</u>
Retained earnings/contributed capital				<u>334643</u>

*Sum of ending balance value above using signs (+ or -) as labeled.

STATEMENT OF CASH FLOWS

Name Ives and Eloira DeChamnac For Year Ending 12/31/96Address 1234 Niagara Creek Road, Concord, New York 98765-4321**Cash Flows from Operating Activities**

Cash received from production and gov't payments (C1)	<u>151125</u>	
Cash production expenses paid (C2)	(-) <u>104284</u>	
Owner (family living) withdrawals	<u>31200</u>	
Income tax payments (farm)	(+) <u>163</u>	
Cash nonfarm income	(-) <u>10990</u>	
Net owner withdrawals	(-) <u>20373</u>	
Net cash provided by operating activities		<u>26468 a</u>

Cash Flows from Investing Activities

Cash received on sale of stock sold for breeding (IS line 2b and Sch I7)	<u>5500</u>	
Cash received on sale of machinery equipment (Sch I7)	<u>2500</u>	
Cash received on sale of farm real estate (Sch I7)	<u>0</u>	
Cash received on sale of farm bonds & securities	<u>15500</u>	
Total cash received from sale of assets		<u>23500</u>
Cash paid to purchase breeding stock (not feeder)	<u>5400</u>	
Cash paid to purchase machinery/equipment	<u>37300</u>	
Cash paid to purchase farm real estate	<u>1000</u>	
Cash paid to buy bonds & securities	<u>38540</u>	
Total cash invested in assets	(-) <u>82240</u>	
Net cash provided by investing activities		<u>-58740 b</u>

Cash Flows from Financing Activities

Proceeds from operating loan advances (Sch C3)	<u>34480</u>	
Proceeds on new term debt financing (Sch C3)	<u>37300</u>	
Cash inflows from financing		<u>71780</u>
Principal payments on term debt (Sch C3)	<u>20067</u>	
Cash repayment of operating debt principal (including repayment of CCC loans for redeemed grain) (Sch C3)	<u>36000</u>	
Principal payments on lease obligations	<u>2080</u>	
Total debt repayment	<u>58147</u>	
Dividends and withdrawals of equity capital (+)	<u>0</u>	
Cash received from gifts, inheritances and paid-in capital (-)	<u>20000</u>	
Net cash capital withdrawals	(+) <u>-20000</u>	
Cash outflows from financing	(-) <u>38147</u>	
Net cash provided by financing activities		<u>33633 c</u>

Cash Flows from Reserves

Cash, checking and savings account balance at the beginning of year	(+) <u>6000</u>	
Cash, checking and savings account balance at the end of year	(-) <u>7200</u>	
Net cash provided from reserves		<u>-1200 d</u>

Error		<u>161</u>
		<u>a+b+c+d</u>

Schedule C1 - Cash Received from Farm Production & Government Payments 12/31/96

Cash received on sale of crops and feed (IS line 1a)	105650
Cash received on sale of culled breeding livestock (IS line 2a and Sch I7)	<u>4150</u>
Cash received on sale of feeder livestock and poultry (IS line 3a)	<u>51445</u>
Cash received on sale of milk, eggs and other products (IS line 4)	<u>0</u>
Cash received from custom work (IS line 6)	<u>2570</u>
Government payments received (IS line 7a)	<u>1960</u>
Net cash from hedging (Sch I3)	<u>0</u>
Other cash payments received (IS line 9)	<u>5550</u>
Cash received from farm production & government payments	<u>151125</u>

Schedule C2 - Cash Production Expenses Paid

Cash paid for other operating expenses (IS line 12)	77700
Cash paid for feeder livestock and poultry (IS line 10)	<u>6480</u>
Cash paid for feed purchased (IS line 11)	<u>4100</u>
Interest paid in cash or renewal - for debt & leases (Sch I6)	<u>16004</u>
Cash production expenses paid	<u>104284</u>

Schedule C3 - Financing Activity Results

Loan	Beginning Principal Balance	New Loan Proceeds	End Principal Balance	Principal Repaid
Term Debt:				
0	0	0	0	0
<i>Key Bank</i>	50715	28000	65227	15486
<i>John Deere Credit</i>	5895	0	3873	2020
<i>John Deere Credit</i>	0	9300	9388	712
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<i>WNY Farm Credit</i>	55755	0	55041	2712
<i>Berry Feedlands</i>	7221	0	6084	1137
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
Total		\$ 37500		\$ 20067

Operating Loans:

<i>Wyzonung Co. Bank feeders &</i>	6000	6480	6480	6000
<i>Wyzonung Co. Bank operating</i>	50000	28000	28000	50000
0	0	0	0	0
Total		\$ 34480		\$ 56000

RATIO ANALYSIS

Name Ives and Elvira DeChaunac
 Address 1234 Niagara Creek Road, Concord, New York 98765-4321

	12/31/95	12/31/96
Liquidity		
Current ratio	1.15	1.32
Working capital	15423	39206

Solvency		
Debt/asset ratio	0.42	0.41
Equity/asset ratio	0.60	0.59
Debt/equity ratio	0.71	0.71

Profitability	Year Ending	12/31/96
Assumed value of operator and family labor and management		0

(If zero is entered, family living expenses of \$31,200 were used in the ratios shown below.)

Rate of return on farm assets	0.07
Rate of return on farm equity	0.07
Operating profit margin	0.22
Net farm income	\$56,838

Repayment capacity

Net Income from Operations		<u>54338</u>
Nonfarm Income	(+)	<u>10990</u>
Depreciation expense	(+)	<u>18190</u>
Interest expense		15409
Operating interest	(-)	<u>0</u>
Interest on term debt and leases	(+)	<u>15409</u>
Family withdrawals (& nonfarm taxes)		31200
Income tax expense (farm)	(+)	<u>12932</u>
Total withdrawals	(-)	<u>44132</u>
Capital replacement and term debt repayment capacity		<u>54795</u>

	Scheduled 12/31/95	Actual 12/31/96	Scheduled 12/31/96
Amount of noncurrent debt and lease payments	0	35476	0
Term debt and capital lease coverage ratio	ERR	1.54	ERR
Capital replacement and term debt repayment margin	\$54,795	\$19,319	\$54,795

Financial Efficiency	Year ending	12/31/96
Asset turnover ratio		0.32
Operational ratios		
Operating expense ratio		0.50
Depreciation/amortization expense ratio		0.10
Interest expense ratio		0.09
Net farm income from operations ratio		0.31

OTHER A.R.M.E. EXTENSION BULLETINS

EB No	Title	Author(s)
97-21	New York Economic Handbook, 1998: Agribusiness Economic Outlook Conference	A.R.M.E. Staff
97-20	Farm Labor Regulations	Grossman, D.A.
97-19	1997 Farm Income Tax Management and Reporting Reference Manual	Smith, S.F. and C.H. Cuykendall
97-18	Lake Erie Grape Farm Cost Survey, 1991-1995	Shaffer, B. and G.B. White
97-17	LEAP, Lease Analysis Program -- A Computer Program for Economic Analysis of Capital Leases	LaDue, E.L.
97-16	Analyzing Capital Leases	LaDue, E.L.
97-15	Dairy Farm Business Summary, Eastern New York Renter Summary, 1996	Knoblauch, W.A. and L.D. Putnam
97-14	Dairy Farm Business Summary, Intensive Grazing Farms, New York, 1996	Conneman, G., C.Crispell, J. Grace, K. Parsons and L. Putnam
97-13	Fruit Farm Business Summary, Lake Ontario Region, New York, 1996	White, G.B., A.M. DeMarree and L.D. Putnam
97-12	Dairy Farm Business Summary, Northern New York Region, 1996	Milligan, R.A., L.D. Putnam, P. Beyer, A. Deming, T. Teegerstrom, C. Trowbridge and G. Yarnall
97-11	Dairy Farm Business Summary, Central Valleys Region, 1996	LaDue, E.L., S.F. Smith, L.D. Putnam, D. Bowne, Z. Kurdich, C. Mentis, T. Wengert and C.Z. Radick
97-10	"Maximizing the Environmental Benefits per Dollar Expended": An Economic Interpretation and Review of Agricultural Environmental Benefits and Costs	Poe, G.
97-09	Dairy Farm Business Summary, Northern Hudson Region, 1996	Smith, S.F., L.D. Putnam, C.S. Wickswat, S. Buxton and D.R. Wood
97-08	Dairy Farm Business Summary, New York Large Herd Farms, 300 Cows or Larger, 1996	Karszes, J., W.A. Knoblauch and L.D. Putnam
97-07	Dairy Farm Business Summary, Southeastern New York Region, 1996	Knoblauch, W.A., L.D. Putnam, S.E. Hadcock, L.R. Hulle, M. Kiraly, C.A. McKeon