

SS 2 AGRICULTURAL SCIENCE**NAME OF TEACHER: OLUKUMORO, O.A.****FARM RECORDS AND ACCOUNTS**

Farm records are written documents of major activities and transactions that take place in a farm enterprise.

IMPORTANCE OF FARM RECORDS

1. Farm records help the farmer to monitor and evaluate the farm plan, to show whether events and activities are going well as planned.
2. Good farm records and accounts help the farmer to detect theft and fraud among the staff and farm outsiders.
3. Farm records and accounts help the farmer to know whether he is making a profit or loss.
4. They help to show the financial position of the farm i.e. the financial weakness and strength of the farm
5. They help in the accurate determination of the annual tax to be paid by the farmer.
6. Farm records and accounts are used by commercial banks in accessing the farmer's credit-worthiness i.e. good records enable the farmer to procure loans from banks.
7. Records of farm activities for previous years can be used to make projections and plans for the future.

TYPES OF FARM RECORDS

- A. Farm inventory – This is a record which contains the list of all items on the farm at a particular time and the money value of each item. Items that are recorded here include land holding, machinery and implements, buildings and structures, tools, furniture, goods in store and livestock. Farm inventory are usually taken at the beginning and at the end of the year. It is useful for obtaining loans.

Item	Beginning of Year			End of Year		
	Number or Amount	Value per Unit item (₦)	Total Value (₦)	Number or Amount	Value per Unit item (₦)	Total Value (₦)

STEPS INVOLVED IN THE PROCESS OF TAKING INVENTORY

1. Identification of assets and liabilities.
 2. Itemization of assets and liabilities.
 3. Physical counting of each item of the asset.
 4. Assigning monetary value to each item.
- B. Farm Input Record – This is the record of all inputs utilized in production, together with the monetary value. A well – kept input record together with an output record enables the farmer at the end of the production period to prepare a profit and loss account and to determine resource productivity.

Date	Description	Value (₦)	Comments

- C. Yield or Production Record – It is a record of yields or output from all units of production in the farm. The record may be kept on a daily, weekly or monthly basis.

Date	Quantity	Value (₦)	Number Sold	Number Consumed

- D. Farm Diary: It is a record of daily activities or events including transactions in the farm. It contains an amount (or number) and type (specialization) of labour employed to work on the farm, the daily, weekly or monthly rates and actual wages paid. It also contains items such as daily visitors, incidence of pilferage or theft etc. It is a good for obtaining information about the farm.
- E. Payroll or Labour Record – This shows the amount (number) and types (specialization) of labour hired or employed to work on the farm. It shows the rate and wages paid and helps in profit and loss account.

FARM ACCOUNTS

A farm account is the statement of various financial transactions which take place in the farm enterprise within a specified period of time.

TYPES OF FARM ACCOUNT

1. **Receipts and Expenses Account:** It shows how cash flows in and out of the farm business; hence it is called the cash book. Receipts and payments (expense) may be in cash or cheque in the cash book. Receipts are recorded on the left hand side while payments are recorded on the right hand side.
2. **Sales Account:** It shows the details of the farm produce sold in cash or credit and includes the type of produce, quantity date sold, to whom and at what price. It is also called sales and receipt account.
3. **Purchase Account:** It shows the details of all items purchased for use on the farm both in cash or credit. Details should include name of input, number or quantity purchased, date of purchase and cost. It is also called purchase and expenses account.
4. **Farm Valuation:** This is a complete list of all the assets of the enterprise (e.g. livestock, crops, machinery, building and stored products). Farm valuation gives a time value or worth of the enterprise. It is usually carried out at the beginning of the farming calendar in order to know the value of the farm at the beginning (i.e. opening valuation) and at the end of the farming calendar so as to know the value of the farm at the end of the production period (closing valuation). Good valuation will assist in determining the disposal value of the farm, if the need arises, and is also useful for taxation.
5. **Cash Analysis Account:** It is a statement of account showing details of income and expenditure of a farm enterprise over a specified period of time. Cash Analysis Account helps in preparing balance sheet and profit and loss account, and in planning farm activities.
6. **Farm Income Statement:** This comprises all receipts (sales) and expenses carried out on a farm over a specified period of time.

Expenses	Amount (₦)	Receipts	Amount(₦)

7. Balance Sheet: This shows the financial position of the farm enterprise at the end of the accounting period or year. In making the entry, the list of assets is entered on the right hand side while the list of liabilities or debts is entered on the left hand side.

Liability	Amount (₦)	Asset	Amount (₦)
Loan from cooperative	xxx	Land	xxx
Loan from bank	xxx	Farm building	xxx
Taxes payable	xxx	Cash in bank	xxx
		Livestock	xxx

8. Profit and Loss account: This is an account prepared at the end of the business period or year with the purpose of determining whether the farm enterprise is making a profit or a loss. In making the entries, all expenses and purchases are entered on the left hand side (debit side) while all receipts or sales are entered on the right hand side (credit side).

SOME ACCOUNTING TERMS

1. Asset: An asset is anything of value that is used during the production process. They are the goods and services owned by the farmer and used in production. Thus, farm assets are synonymous with capital and may be classified into fixed asset or current asset.

a. A fixed asset is one that is not used up during production e.g. land, implement, building etc.

b. A current asset refers to an asset that is used up or converted into a new product during production e.g. feed, fertilizers, veterinary drugs etc.

2. Liability: This refers to money or any other resource borrowed from another person or corporate body (called the creditor) e.g. a bank, for the purpose of production.

3. Depreciation and Appreciation: Depreciation refers to the reduction in the value or worth of a capital asset as the asset is put to work over time. The loss in value may be due to wear and tear over a period of time. On the other hand, the value of certain assets like land, growing livestock and plantation crops increase over a time period. This is referred to as Appreciation.

4. Salvage value: This is the value at which a fixed asset is sold off when it is no longer economical to keep and use or when the cost of maintenance is too high.

5. Useful Life: This refers to the number of years a piece of farm equipment can effectively serve a farmer.

CALCULATIONS ON DEPRECIATION

Total Depreciation = Cost Price – Salvage Value

$$\text{Annual Depreciation} = \frac{\text{Cost Price} - \text{Salvage Value}}{\text{Useful Life}}$$

$$\text{Depreciation Rate} = \frac{\text{Annual Depreciation} \times 100}{\text{Cost Price}}$$